THE BEST FOREIGN POLICY MONEY CAN BUY?

AN INVESTIGATION OF FOREIGN LOBBYING AND U.S. FOREIGN POLICY

A Dissertation

by

BENJAMIN J. FREEMAN

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

December 2009

Major Subject: Political Science

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Approved by:

Chair of Committee,	John Robertson
Committee Members,	Michael Koch
	Erik Godwin
	Gina Reinhardt
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ABSTRACT

The Best Foreign Policy Money Can Buy?

An Investigation of Foreign Lobbying and

U.S. Foreign Policy. (December 2009)

Benjamin J. Freeman, B.S., Embry-Riddle Aeronautical University; M.A., University of Central Florida

Chair of Advisory Committee: Dr. John Robertson

Does foreign lobbying affect foreign aid? In this dissertation I provide compelling evidence the answer is yes. Prior scholarship has almost unequivocally focused on international bargaining as an exchange of public goods such as military, economic, or political concessions. Foreign lobbying represents a fundamentally different form of international bargaining. It is the exchange of a private good for an international policy concession. I develop a theory of foreign lobbying and foreign policy that views foreign policy formation as a function of political actors weighing public goods alongside the benefits they receive from foreign lobbyist contributions. I utilize a Heckman selection model to test this theory and find compelling evidence that foreign lobbying influences U.S. foreign aid allocations.

DEDICATION

To Debbie, Jim, and Alexa

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CHAPTER I

INTRODUCTION: THE PRICE OF U.S. FOREIGN POLICY

Is foreign policy for sale? Does foreign lobbying affect foreign aid? In this dissertation I provide compelling evidence that the answer is yes. I develop a theory of foreign lobbying and foreign policy that views foreign policy formation as a function of politician's weighing societal welfare alongside the benefits they receive from foreign lobbyist's contributions. My theory argues that foreign lobbying is critical in foreign policy formation, and I find strong empirical evidence to support this argument. Lobbying for foreign interests is a multi-million dollar industry in the U.S. and nearly every country in the world spends time and effort lobbying officials in Washington or has done so in the past. This is not simply a matter of money but also of influence. I find that agents lobbying on behalf of foreign entities significantly affect the aid allocation process in the U.S. Moreover, this impact is independent of a host of conventional explanations for the aid allocation process identified in prior analyses. This is a significant advancement in our understanding of the aid allocation process and foreign policy behavior in general.

Nearly all scholarship on foreign policy behavior ignores the fact that governments routinely seek to exert pressure on foreign governments through domestic channels within the foreign country. Scholars implicitly assume the only impact foreign entities have on policy making is through the international signals they send. A country's

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This dissertation follows the style of the *American Political Science Review*.

strategic political, military, and economic value determines aid allocations to that country (Alesina & Dollar 2000) as do humanitarian concerns (Mayer and Moller 2003; Pedersen 1996). In all of these prior models of the aid allocation process, the donor government receives signals (or simply gathers information) about potential recipients and then determines the allocation amount. The recipient country's influence on this process is negligible at best, being generally unable to act in such a way that would increase their probability of receiving aid. According to prior models, potential recipients influence this process because their strategic and humanitarian characteristics accord with the goals of the donor country.

This notion of the aid allocation process is incomplete. As previously mentioned, nearly every country in the world spends time and effort lobbying officials in Washington or has done so in the past. These lobbying efforts can receive significant media coverage when they step outside of U.S. law. For example, in 1996, the Clinton administration came under fire for taking campaign contributions from the Chinese government.[1] Also, in the McCain campaign received media attention in April 2008 when he faced allegation that tied him to foreign lobbying[2]. These examples make excluding foreign lobbying from international relations scholarship all the more noteworthy. Given the potential impact foreign lobbying has on foreign policy, and its absence from theories of foreign policy decision making, it is imperative that we incorporate foreign lobbying into these theories and examine its affects on real world foreign policy outputs.

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[1] Woodward and Duffy (1997) first broke the story in the Washington Post.
[2] Kelley (2008).

Studies of foreign lobbying are also extremely rare within the interest group literature. Most interest group and lobbying analyses focus on domestic lobbying; the relative effectiveness of foreign lobbying remains unknown. What little qualitative evidence exists leads some to believe that "the evidence is simply not compelling enough to argue that interest groups alone can shift foreign policy priorities" (Uslaner 2007). The problem here is not one of lobbying theory per se; foreign lobbying should have the same influence on rational political actors as does domestic lobbying (i.e. Lowi 1969). Instead the problem is simply a lack of large-N empirical evidence to test this claim.

This analysis attempts to fill these voids in our understanding of foreign policy making and foreign lobbying. The question I seek to answer is: does foreign lobbying affect foreign policy? In other words, is foreign policy for sale? The answer is yes, and I provide compelling evidence to support this claim. I argue that foreign lobbying is a private good given to influence foreign policy and that it is possible to quantify this impact. Prior scholarship has almost unequivocally focused on international bargaining as an exchange of public goods such as military, economic, or political concessions. Foreign lobbying represents a fundamentally different form of international bargaining. It is the exchange of a private good for an international policy concession. I assume that foreign entities attempt to maximize the welfare they receive from the foreign policy of another state. They can attempt to influence another government's policy by employing international signals or negotiating formally with key executive officials, *or* they can attempt to influence decision makers much more informally through lobbying efforts

within the foreign government. Governments can attempt to influence another state's foreign policy by exchanging public *or* private goods. Thus, international factors, negotiations with constituents (i.e. Putnam 1988), *and* negotiations with foreign lobbyists ultimately determine foreign policy.

In terms of the political actors being lobbied, I rely first on a theory of behavior consistent with rational choice and assume that political actors are rationally self interested. Politicians attempt to maximize their probability of reelection and bureaucrats seek increases in agency resources or increased job security and promotion potential (Downs 1967; Niskanen 1971, 1991). Second, I account for the possibility that political actors may be altruistic and express at least some concern for the public spirit or interests (see e.g. Brehm and Gates 1997; DiIulio 1994; Rom 1996; Mansbridge 1990; Monroe 1998). Foreign countries are able to gain influence over politicians by impacting their reelection probabilities via lobbying efforts, which are not limited to campaign contributions.

To test the proposition that lobbying by foreign entities[3] shapes the foreign policy behavior of government, I develop a theory of foreign lobbying and conduct empirical analyses of foreign lobbying's impact on two aspects of U.S. foreign policy: development aid and military aid. I also assess whether rival countries' lobbying efforts affect aid allocations. The U.S. is the primary country of analysis for several reasons. First, the U.S. is an ideal case to study given both its economic and military preponderance in the international system. Additionally, data availability was a key

[3] The term, 'foreign entities,' is a catch-all term that refers to any individual or organization in a foreign country. This includes all governmental and non-government entities.

concern. Finally, development and military aid were chosen because they are the primary non-violent means by which the U.S. government engages politically with other states in the international system.

In the remainder of this chapter I discuss current scholarship on the determinants of foreign assistance, both economic and military. Absent from this research is the use of foreign lobbying as another determinant of foreign policy. The inclusion of foreign lobbying complements existing theories of foreign aid allocation. I argue that foreign lobbying is an integral missing piece of the literature investigating the foreign policy decision making process, but it is certainly not the sole determinant of aid.

The Determinants of Economic Assistance Allocations

Considering the large sums of money annually funneled through official development assistance (ODA) and the impact this has on recipient countries, a more complete understanding of all aspects of economic aid is vital. There is growing evidence that bilateral and multilateral aid may at best be guided more by donor self interest than altruism (Alesina and Dollar 2000), or at worst completely contrary to objectives such as poverty alleviation (Perkins 2004; Hiatt 2007). This has led to the development of two basic strands of economic aid research.[4] The first asks how effective development aid is at actually contributing to development. The answer remains in doubt (McGillivray et al. 2005), and in fact some deem the current state of the literature, "The sad result of 40 years of research" (Doucouliagos and Paldam 2005). The other strand of development aid research dates back at least as far as Morgenthau's

[4] The terms development aid, economic aid, and economic assistance will be used interchangeably.

(1962) "theory of foreign aid," and asks why countries give foreign aid in general and why they give it to certain countries and not others. This latter strand is the focus of the analysis proposed here.

Two principal explanations of the distribution of development aid have been proposed. One contends that recipient need and donor altruism are the determinants of aid allocations (e.g. Azam and Laffont 2003; Lumsdaine 1993; Pedersen 1996). The other argues that strategic political and economic concerns of the donor guide international giving (e.g. Alesina and Dollar 2000; Burnside and Dollar 2000).

Altruistic Explanations for Economic Aid

In the altruistic model, aid is given to a country in order to reduce poverty and provide an economic jumpstart. Extremely low income countries often lack the resources needed to save or invest in projects that will help the long-term economic growth and stability of the country, and one way of escaping from this poverty trap is to receive foreign assistance specifically tailored to bolstering the long term economic viability of the country. This was in fact the initial justification for economic assistance after World War II. Following the war many countries were simply devastated, and aid was needed to overcome this situation and avoid any further international calamities.[5] Ever since donor altruism has been touted as a, if not *the*, primary determinant of aid allocations.

The basic hypothesis of the altruistic model stipulates that "the amount of aid received by each low income country is proportional to its economic and welfare needs," according McKinlay and Little (1977, 59). If donors are looking solely to assist those

[5] However, U.S. motives may not have been purely altruistic given the economic access and political influence this afforded the U.S.

most in need they will rationally target aid towards those countries where the need is greatest. Because economic aid given and received is finite, donors must choose both which countries receive aid and how much they receive. According to the altruistic model, aid amounts should have an inverse relationship with the current level of economic development and general welfare in the recipient country. In other words, economic aid should be greatest in those countries with the greatest need. Levels of poverty matter, not just whether a recipient is less affluent than a donor country. Consequently, if the altruistic model were correct aid allocations should be directed primarily to low income countries, moderately to middle income countries, and not at all to affluent nations. Unfortunately for proponents of the altruistic model, this is not the pattern that has emerged in empirical reality.

Strategic Explanations for Economic Aid

Given the inability of the altruistic model to explain fully real world aid allocations, scholars have sought out non-altruistic motivations for giving aid, which I call strategic motivations. These motivations include both political and economic concerns of the donor country that may not necessarily lead to economic growth or any development in the recipient country. Although the measurement of exactly what comprises a "strategic interest" may not be straightforward, a number of factors have been suggested in the literature; some examples include the United Nations General Assembly voting relationships (Balla and Reinhardt 2008), trade (Meernik, Krueger, and Poe 1998), colonial history (Alesina and Dollar 2000), military necessity (Lai 2003), human rights (Poe and Tate 1994), and democracy (Knack 2000). Alesina and Dollar

(2000) present what is perhaps the most cited evidence in support of the strategic model of aid allocations. According to the authors:

> We find considerable evidence that the pattern of aid giving is dictated by political and strategic considerations. An inefficient, economically closed, mismanaged non-democratic former colony politically friendly to its former colonizer, receives more foreign aid than another country with similar level of poverty, a superior policy stance, but without a past as a colony (33).

The authors find compelling evidence that donor altruism is just one of a host of motivations, and a weak motivation at that, which explain economic aid allocation patterns.[6] Their full model of donor behavior allows them to compare directly political, economic, and altruistic constraints side by side. They conclude, "Factors such as colonial past and voting patterns in the United Nations explain more of the distribution of aid than the political institutions or economic policy of recipients" (55). Ultimately the complex model they developed became a benchmark for analyses of economic aid, and led to analyses that further explained allocation patterns by incorporating additional strategic factors like military conflict (Balla and Reinhardt 2008), corruption (Alesina and Weder 2002), and bribery at the United Nations (Kuziemko and Werker 2006) just to name a few.

Strategic vs. Altruistic vs. Foreign Lobbying

In spite of the compelling evidence indicating the presence of strategic incentives there remains evidence that donor altruism does exist. I find that there is evidence enough to indicate that both factors may guide international giving; indeed, the analysis of economic aid presented in Chapter III shows that both strategic and altruistic factors

[6] Except for the Nordic countries, which the authors found to be particularly prone to following an altruistic model of giving.

affect U.S. economic aid allocations. The purpose of this analysis, however, is to elaborate a third explanation for the politics of development aid. The theoretical framework briefly discussed above indicates that the level of foreign aid given to a specific country should increase with the level of foreign lobbying done by that country in the U.S., ceteris paribus. Thus, I expect foreign governments to be rewarded for their efforts to "buy free money."

The Determinants of Military Assistance Allocations

The realist school of international relations contends that military aid is meant to go to countries that share U.S. strategic interests. This includes military allies and countries, such as Israel, which are in close proximity to potential threats to U.S. national interests. The aid can be used for national defense, to quell internal conflict, or, as it was during the Cold War, to combat rival political ideologies. Neo-liberals have a different conception of the goals of U.S. foreign policy. They argue for the relevance of issues like the promotion of democracy and human rights in determining U.S. foreign policy decisions. In spite of these useful guidelines from general international relations theory, military aid research does not possess the expansive history of its economic counterpart. The number of multivariate analyses investigating the determinants of military aid pales in comparison to the number of analyses investigating foreign aid. Yet, international relations scholarship more generally can provide a useful rubric for categorizing the extant field of research investigating military aid allocations. Realists and neo-liberals fundamentally differ regarding the primary determinants of U.S. foreign policy with the former advocating for the importance of U.S. security interests and the

latter arguing for the value of non-security issues. Even if in practice military aid is awarded for a variety of reasons that do not fit perfectly into either the realist or liberal schools of thought, these basic frameworks provide a useful heuristic for understanding the factors associated with the distribution of military aid.

Realist or Security Explanations for Military Aid Allocations

A number of strategic political/military interests have been shown to correlate well with military aid allocations. The first multivariate analysis of military assistance was conducted by Kato (1969), who found strategic security concerns to be the dominant explanation of military aid allocation decisions. Kaplan (1975) expanded upon this model and found that population was the most salient predictor of U.S. military aid allocations in Latin America. Cingranelli and Pasquarello (1985) set a benchmark for studies of military aid allocation by explaining the process in two-stages. In the first stage decision makers decide which countries to give funds to and in the second stage they determine the amount of aid allocated to countries that pass through the first stage. The authors focus was on human rights but evidence was found for the importance of political instability, level of development, and trade with rival countries (specifically the Soviet bloc) in the aid allocation process. Poe (1991) and Poe and Meernik (1995) shared Cingranelli and Pasquarello's concern for the two-stage nature of the military aid allocation process and modeled it accordingly. Poe and Meernik utilized several indicators of political and strategic interests including political ideology, location, and alliances. More recent work by Blanton (2000; 2005) also includes a number of political and strategic variables impacting military aid allocation decisions. These variables

include internal conflict, external conflict, and GDP. The author explains that the latter is relevant because "a supplier is likely interested in capitalizing on opportunities to sell arms to countries that have the financial wherewithal to purchase them" (Blanton 2005, pg. 656).

Neo-liberal or Non-Security Explanations for Military Aid Allocations

While there is evidence that security concerns drive military aid allocations, a variety of non-strategic interests have also been found to affect military aid allocations. The U.S. annually gives military aid to countries that offer little security related benefits to the U.S. This makes it difficult for both realist scholars and policy makers to explain the transfer of arms to countries that do not appreciably benefit the security interests of the U.S., especially when these countries do not follow democratic and humanitarian principles espoused by the U.S. According to Blanton:

> In the absence of a clear military threat, policy makers find it difficult to justify publicly the export of arms to countries that abuse human rights or are non-democratic. Along these lines, U.S. arms transfers may be constrained to countries that embrace liberal values. This is certainly the intent of the proposed U.S. Code of Conduct of Arms Transfers, which would require recipients of U.S. arms to respect human rights and have a democratic form of government (2005, 650).

Blanton and others find considerable evidence that factors not directly related to national security are driving the allocation of military aid. For example, even after the Cold War shared political ideology with the U.S. appears to be an important driver of U.S. arms transfers (e.g. Blanton 2000, 2005). According to Weiss (1999) the rationale for arms transfers following the end of the Cold War has widened to include socioeconomic, environmental, and humanitarian concerns. The relative importance of humanitarian

concerns versus socioeconomic or commercial concerns is an issue of some debate with earlier studies arguing that commercial interests trump human rights (Hartung 1995; Wheat 1995) and more recent and methodologically sophisticated studies arguing that human rights are a key explanation of arms transfers, at least in determining which countries are selected to receive arms (Blanton 2000; Blanton 2005; Poe and Meernik 1995).

Military Aid Allocations and Foreign Lobbying

In spite of these varied explanations for military aid policy, there is currently no empirical evidence that foreign lobbying has a systematic effect upon the amount of military aid given to a country. This is particularly surprising given the considerable scholarly attention devoted to investigating the so called "Iron Triangle" in defense contracting (i.e. Adams 1981; Briody 2003). Investigations of the relationship between defense contractors, politicians, and bureaucrats provide overwhelming evidence that politicians fall prey to the lobbying efforts of defense contractors and that policy outputs are shaped accordingly. One of the reasons this occurs is because military aid is a low salience issue that the American public generally supports (Kull 2005). Certainly, foreign lobbying attracts more attention given perceived threats to democratic and sovereign governance, but this is a constant that will very likely be mitigated when lobbying low salience issues. Thus, I argue that foreign lobbying efforts translate relatively easily into U.S. military aid so long as there are no major U.S. strategic political or humanitarian constraints.

Why Does Foreign Lobbying Affect Foreign Aid Allocations?

The common thread throughout all foreign aid literature, both economic and military, is that scholars focus almost exclusively on the exchange of public goods. A country receives military or economic aid because it provides some sort of strategic benefit to the donor. While a number of analyses delve into the domestic processes of aid recipients, specifically regarding corruption in the recipient government (e.g. Alesina and Weder 2002), analyses accounting for the political process in donor countries are rare.[7] More specifically, there are currently no analyses of the impact that foreign lobbying has on foreign aid. This is a critical oversight given that aid allocations are fundamentally political decisions made by politicians and bureaucrats. Without accounting for influences on those actually responsible for making foreign aid allocation decisions current scholarship is incomplete. Thus, my contribution is accounting for the exchange of private goods in determining foreign policy. I endogenize the influence of foreign actors on domestic political processes.

A brief discussion of the foreign assistance allocation process in the U.S. attests to the importance of considering the decision making process in donor countries. There are several congressional committees responsible for appropriations and oversight of foreign assistance. The Committee on Foreign Affairs and the Committee on Foreign Relations in the House and Senate respectively have primary control over most aspects

[7] A number of studies do consider domestic interest groups (i.e. Cingranelli and Pasquarello 1985; Mckinlay & Little 1979; Meernik, Krueger & Poe 1998; and Poe and Meernik 1995), but ultimately they rely largely upon international indicators of influence like economic interconnectedness to test these arguments. Thus, the analysis presented here is unique given its overt focus on domestic politics in the donor country.

of foreign assistance such as bilateral development assistance and military assistance. While Congress has at times passed encompassing authorization laws such as the Foreign Assistance Act of 1961 and the Arms Export Control Act of 1976, no major foreign assistance measure has been signed into law since 1985.[8] Tarnoff and Nowels (2004) argue that the limited import of authorization bills has led to much greater import for appropriation measures:

> In the absence of regular enactment of foreign aid *authorization* bills, *appropriation* measures considered annually within the Foreign Operations spending bill has assumed greater significance for Congress in influencing U.S. foreign aid policy. Not only does the bill set spending levels each year for nearly every foreign assistance account, Foreign Operations appropriations also incorporate new policy initiatives that would otherwise be debated and enacted as part of authorizing legislation (28).

The decision to allocate aid to a specific country in a specific year is not made by some amorphous "black box" that only considers international factors, what I refer to here as public goods. The decision is made by individuals who are amenable to persuasion, political influence, and who benefit from increased access to political capital. They are the targets of, and often the beneficiaries of, political lobbying. These are the same individuals amenable to influence from defense contractors and international development firms in the U.S. Also, of key importance here, they are the targets of foreign lobbyists. Lobbying by these foreign entities is country specific, and it is therefore possible to test directly the impact of lobbying (by foreign entities) on the policy output being lobbied for (foreign assistance) on a dollar per dollar basis - a goal that has been quite elusive in studies of interest group influence.

[8] Congress has, however, enacted targeted legislation such as the SEED Act of 1989, the FREEDOM Support Act of 1992, and the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003.

Based upon this new realization and prior work on foreign aid, the aid allocation process can be explained rather succinctly. There are two mechanisms of influence in this process: public and private goods. Public goods, by definition, benefit the public at large. They include donor concerns for strategic political, military, economic, or humanitarian issues. Recipients, or potential recipients, provide opportunities for fulfilling these donor goals. Thus, the U.S. receives an international signal[9] denoting the international opportunities available for giving aid to a particular recipient, and simultaneously the U.S. provides potential recipients with an indication of the international interests that drive it to allocate aid. In addition to these public goods espoused in prior analyses there are also private interests which influence the aid allocation process. I define private interests as those not designed for general public benefit. Instead they are restricted to benefit a subset of the population. In the U.S. aid allocation process this includes the private interests of domestic interest groups and rationally self interested political actors. These private interests help to mold and are molded by public interests. Collectively, these influences provide a general representation of the aid allocation literature to date.

My contribution is to account for the impact of foreign lobbying. Foreign lobbying is a private good within potential recipient countries. Unlike all other recipient country influences on the aid allocation process, this influence is not a public good. It is not explicitly designed to fulfill any public interest of the donor. Foreign lobbyists specifically target self interested political actors in the donor country. This private good

[9] Note that the recipient is not assumed to actually *send* anything; their traits are simply observed by the donor.

is weighed alongside the public goods provided by the donor country, which ultimately determines the amount of aid to give the recipient. What separates foreign lobbying from all prior explanations of the foreign aid allocation process is that it is a private good and it exerts influence via the manipulation of domestic actors in the donor country. A complete exposition of this process is the theoretical contribution made in this dissertation, presented in Chapter III.

Conclusion

The primary contribution of this analysis is that I improve upon existing explanations of foreign aid allocations. It would be impossible to ignore the importance of international strategic, political, and altruistic considerations as put forth in previous literature, and it is not my intent to do so. Quite the contrary, the empirical analyses confirm many of the prior explanations of foreign aid allocations. My analysis does, however, provide a more complete picture of the foreign aid allocation process by accounting for the influence of foreign lobbying. I find compelling evidence that foreign lobbying significantly shapes aid allocations, at both the gate-keeping and level setting stages, even when controlling for a host of rival explanations. In addition to this insight for the study of foreign aid allocations, my analysis also contributes to the field of interest group influence by providing a dollar per dollar estimate of influence. The full models I present, which control for a host of alternative explanations, can be used to estimate the return on investment a foreign government can expect to receive at a given level of lobbying expenditures. Needless to say, there is ample evidence to support the hypothesis that foreign lobbying has a significant impact on U.S. foreign aid allocations

and that this finding has important ramifications for studies of both interest groups and foreign aid.

Before arriving at these empirical results, however, I present a discussion of the interest group literature in Chapter II, focusing particularly on work done by economists investigating foreign lobbying and U.S. trade policy. Their analyses provide critical insights into the relationship between foreign lobbying and foreign policy more generally. In Chapter III I use these insights to develop my theory of foreign lobbying and foreign aid. By understanding the influence of interest groups, specifically foreign interests, I am able to clarify aspects of foreign policy that have henceforth gone unexplained. While there is considerable research on the impact of public good exchanges in international relations research, the foreign policy impact of private good exchanges is limited, to say the least. My analysis helps to fill this void.

To test this theory I utilize a cross sectional time series model of foreign lobbying focusing on all U.S. bilateral relationships where data is available. The recipient country-year is the unit of analysis, and the time period covered is from 1997-2001, based on data availability. To account for the two-stage nature of aid allocations, where the U.S. first chooses which countries to give aid to and then how much aid to give, I utilize a Heckman selection model. The indicator of *foreign lobbying*[10] I utilize is the sum of lobbying efforts by entities within the recipient country as reported under the Foreign Agents Registration Act (FARA) and presented in the FARA Semi-Annual Reports to Congress. I present my analysis of economic aid in Chapter IV and military

[10] Variable names appear in italics

aid in Chapter V. As previously mentioned, I find compelling evidence that foreign lobbying has a significant impact on aid allocations, both economic and military. Furthermore, in Chapter IV I find a statistically and substantively significant dollar per dollar relationship between foreign lobbying expenditures and economic aid allocations. All else equal, every dollar increase in lobbying expenditures leads to nearly a $50 increase in economic aid; a sizeable impact, particularly given the difficulty prior large-N multivariate analyses have had in finding any statistically significant relationship between lobbying expenditures and policy outputs.

I extend these analyses by investigating the impact of competitive lobbying in Chapter VI. Here I find further evidence that foreign lobbying influences aid allocations, while also finding evidence that countries can effectively lobby to reduce U.S. aid allocations to a rival country. Once again, I am able to provide a dollar per dollar estimate of lobbying influence. Finally, in Chapter VII, I conclude with a brief recapitulation of the findings and discuss the implications of this dissertation for studies of foreign policy, foreign aid, foreign lobbying, and interest groups. I also lay out a number of future research projects that are derived from this analysis. I end with a discussion of this work's practical implications with particular focus on the consequences of foreign lobbying for democratic governance. For now, I turn to a discussion of the interest group literature to garner insights into the possible impact foreign lobbyists can have on U.S. foreign policy.

CHAPTER II

THE INTEREST GROUP LITERATURE AND TRADE POLICY

Concerns over foreign influence on U.S. policy began occurring even before the U.S. became a sovereign state. Given the U.S. experience as a set of colonies, the founding fathers were intimately aware of the maladies of foreign influence. In Federalist 22, Alexander Hamilton notes that "One of the weak sides of republics, among their numerous advantages, is that they afford too easy an inlet to foreign corruption." This concern with foreign influence on U.S. policy was reinvigorated during the 1930's as the Nazi party came to power in Germany and sought to influence citizens in other countries, particularly the U.S. On October 22, 1936 a New York Post headline read "Nazi Publicist on GOP Payroll," and reported that the Republican State Committee was employing propagandists associated with U.S. Nazi groups. This and similar incidents raised concerns amongst President Roosevelt and members of Congress that Adolf Hitler was financing efforts to promote the Nazi movement in the U.S. This ultimately led to the passing of the Foreign Agents Registration Act (FARA), which was the first major piece of lobbying legislation at the federal level. The FARA Registration Unit, which is housed in the Department of Justice's Counterespionage Unit in the National Security Division, states that:

> FARA is a disclosure statute that requires persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts and disbursements in support of those activities. Disclosure of the required information facilitates evaluation by the government and the American

> people of the statements and activities of such persons in light of their function as foreign agents.[11]

The FARA was passed into law in 1938 and the FARA Registration Unit has made these disclosure statements and reports publicly available. Currently, annual and semi-annual reports are available from 1942 to the present. Despite this wealth of information and immense time span, we know almost nothing about the influence of foreign entities on U.S. foreign policy. What we do know is concentrated within studies investigating the impact of foreign lobbying on U.S. trade policy. This recent area of research based largely upon the seminal work of Grossman and Helpman (1994) and their "Protection for Sale" model finds compelling evidence, across a number of studies, that lobbyists are able to exercise influence over U.S. economic policy, specifically policy related to international trade. These studies make a compelling case for further analyses of foreign lobbying and its influence on U.S. policy outputs. Specifically, the success of the protection for sale sub-field provides strong justification for an analysis of the impact that foreign lobbying has on other, non-economic aspects of foreign policy. This results ultimately in a call for the analysis of foreign influence on U.S. economic and military assistance conducted in this dissertation.

In the remainder of this chapter I discuss research investigating foreign lobbying and trade policy, and how these studies fit into the larger field of interest group studies. This paints a picture of the research context into which my analysis of foreign lobbying is placed. The theory of foreign lobbying and foreign aid I develop in Chapter III is a theory of interest group influence, particularly foreign interests. Consequently, analyses

[11] Source: http://www.usdoj.gov/criminal/fara/

of domestic interest groups, while informative, do not consider the nuances of foreign interests and how these may differ from domestic interests. To better understand these foreign interests, and develop a comprehensive theory of their impact on foreign aid, a discussion of prior work on foreign lobbyist influence is essential.

Lobbying and Trade Policy

Why an Economic Model of Foreign Lobbying and Foreign Assistance?

Studies of foreign lobbying and trade policy are amongst the vanguard of interest group research analyses for several reasons. First, lobbying and trade policy studies are cumulative. That is to say, they build upon one another and begin with the theoretical foundation of Grossman and Helpman (1994). This is in sharp contrast to nearly all other studies of interest group influence which, in spite of significant scholarly effort, remain non-cumulative. This apparent disconnect between scholarly effort and knowledge accumulation has three causes according to Baumgartner and Leech (1998): "Theoretical incoherence, lack of comparability across studies that often comes from ignoring the context of group behavior, and the scope of the research effort" (17). Second, lobbying and trade policy studies also overcome significant methodological hurdles that have plagued studies of interest group influence. According to Dur and De Bievre (2007), "We view the demise of research on the influence of interest groups as a result of the notorious difficulty to operationalise the concepts of 'influence' and 'power', to construct reliable indicators, and to measure these empirically, whether qualitatively or quantitatively" (2). This too has been overcome by utilizing concrete measures of

influence, namely, the FARA data on lobbying expenditures and trade policy fluctuations.

Third, analyses of lobbying and trade policy have reached consistent and conclusive results across a number of studies. In short, they have found strong evidence of interest group influence. This is in contrast to other studies investigating interest group influence where, in spite of considerable energy devoted to quantitative analyses of power and influence, there is little consensus about the influence interest groups wield. Interest group influence does appear to be present, but it is context dependent and it is not the single dominant force in the policy process. Quantitative analyses and their bent towards greater generalizability face an up-hill battle when they are directed at topics not amenable to generalization. This has led some to conclude that quantitative analyses are not the ideal vehicle for analyzing power and influence. According to Woll (2007):

> For anybody interested in concrete influence, historical narratives and process tracing remain the most useful techniques, even if their limited generalisability might be frustrating. Studies on lobbying will never be disconnected from the question of influence, but they need to be carried out in a context-specific way in order to help our understanding about a particular policy development (74).

If quantitative techniques are to be abandoned in favor of more qualitative approaches, then the ideal of a cumulative research enterprise in the study of interest group influence may have to be abandoned as well. Case studies, while able to provide vivid details of specific instances of group influence are not readily amenable to comparison and therefore accumulation. Moreover, the rate of issue expansion in politics is almost certainly likely to outstrip the rate of case study development. Consequently, continued

attempts by scholars to systematically understand power and influence may be for naught. According to Woll (2007), “Many recent studies have been designed around the false premise that we can observe the actions of influence and power. There is little reason to organize a project on the chimerical promise of measuring the unmeasurable” (59-60).

Domestic Lobbying and Trade Policy

In light of noteworthy contributions investigating the impact of lobbying on trade policy, the preceding statements seem unduly pessimistic. This recent area of research based largely upon the seminal work of Grossman and Helpman (1994) and their “Protection for Sale” model finds compelling evidence, across a number of studies, that lobbyists are able to exercise considerable influence over U.S. economic policy, specifically policy related to international trade (i.e. Chang 2005; Eicher and Osang 2002; Gawande 1997; Goldberg and Maggi 1999; Gawande and Bandhopadhyay 2000; Kee et al. 2007; Matschke and Sherlund 2006; Mitra et al. 2006; for a review see Gawande and Krishna 2004). According to Grossman and Helpman (1994) this model argues:

> The incumbent politicians’ objective is to maximize a weighted sum of total political contributions and aggregate social welfare...Each organized interest group representing one of the sector-specific factors confronts the government with a *contribution schedule*. The schedule maps every policy vector that the government might choose (where policies are import and export taxes and subsidies on the n nonnumeraire goods) into a campaign contribution level (836).

The incumbent reelection seeking politician believes that there is a positive correlation between campaign spending and the probability of reelection,[12] so they are apt to accept contributions from lobby groups. Grossman and Helpman note that contributions need not be used exclusively for future campaigns; they can also be utilized to pay down debts from previous campaigns. Simultaneously, politicians are also concerned with the utility level enjoyed by voters (social welfare), which also impacts their reelection prospects. For Grossman and Helpman, "aggregate social welfare equals aggregate income plus trade tax revenues plus total consumer surplus" (838). The politicians' objective function ultimately weighs the impact trade policy has on social welfare against the utility they receive from political contributions; this leads to several interesting expectations. For one, as a policy's impact on social welfare decreases politicians become more likely to alter policy at smaller contribution levels. That is to say, contributions are much more likely to lead to policy change when the negative impact on social welfare is small. Conversely, policy changes leading to a significant reduction in social welfare require substantial contributions to maintain. For organized interest groups interested in maximizing the value of contributions, policy stances which lead to negligible impacts on social welfare are preferable because they require fewer contributions to maintain, ceteris paribus.

Realizing the various pressures on politicians, interest groups approach the government with what Grossman and Helpman deem a "contribution schedule," which tells the politician the exact value of contributions they can expect to attain for

[12] For empirical evidence of this effect see the work of Gary C. Jacobson (1978, 1987, and 1990).

implementing any possible policy point. Lobbies attempt to maximize the utility of members given the contribution schedules offered by other groups. Politicians then choose the policy that maximizes their own welfare and this situation is an equilibrium outcome if it maximizes the utility of all lobbying groups (policy benefits minus lobbying costs). For some lobbying groups this can mean a contribution level of zero. This can occur for a variety of reasons, such as overwhelming pressure from larger lobbying groups or the groups' deleterious effects on social welfare that would require significant contributions to overcome. Grossman and Helpman's model is a common agency problem in that a variety of principals (in this case domestic lobbying groups) are attempting to get a single agent or set of agents to perform an action. They note that B. Douglas Bernheim and Michael D. Whinston (1986) refer to such a situation as a "menu auction" because principals offer a menu of possible payments to an auctioneer or agent and then pay the agent based upon the chosen action.

Based upon this fairly simple framework economists have been able to provide convincing evidence that interest groups exercise considerable influence over economic policy. Goldberg and Maggi (1999) and Gawande and Bandyopadhyay (2000) are able to provide concrete estimates of interest group influence on actual policy outputs in the U.S. using the non-tariff barrier coverage ratio as their measure of trade protection. Similar results have been found in Turkey (Mitra et al. 2002; Mitra et al. 2006) and Australia (McCalman 2004). The appeal of these studies, and perhaps their novelty compared to non-economic studies of interest group influence, is that they build upon a

common theoretical framework, utilize similar indicators of influence which are actual policy outputs, and reach the same conclusion across a variety of contexts.

Foreign Lobbying and Trade Policy

Of paramount concern here is the more recent work in this field that has further expanded the scope of analysis to include foreign lobbies. In their pioneering work Gawande et al. (2006) produced what was at the time, according to the authors, "the only formal study of foreign lobbying activity and its economic effects of which we are aware" (563). They begin with a theoretical framework akin to the original Grossman and Helpman (1994) model, but with the key inclusion of foreign lobbies. Trade policy is once again determined by politicians maximizing a weighted function of lobbying contributions and social welfare;[13] however, in this case lobbying contributions can come from both domestic and foreign firms. Domestic firms are rational and would prefer to have their goods protected or subsidized. Foreign firms would like the U.S. to lower protection on their exports to the U.S. Gawande et al. (2006) summarize this as follows:

> the lobbies representing domestic and foreign firms in any sector would like trade policy to be set in a manner that suits them—for example, a domestic lobby in import-competing sector *i* would typically want import barriers on imports of *i* and import subsidies on imports of all other goods, whereas a foreign lobby in sector *i* would want this government to subsidize the imports of *i* (565).

This modification of the basic Protection for Sale model leads to the logical predictions that sectors represented by organized lobbying groups will receive greater protection and

[13] Social welfare as measured by Gawande et al. (2006) is not identical to the measure adopted by Grossman and Helpman (1994). The latter utilized a measure of trade tax revenues that the former replace with a measure of producer surplus. While perhaps a trivial substitution, this illustrates that social welfare is not a static concept. Particularly when moving outside of economic policy, social welfare takes on entirely new meanings as is discussed below.

sectors with organized foreign influence will receive less protection. Perhaps the more interesting question is how these two forces interact. When foreign interests are countered by domestic interests what is the impact on protection? Are foreign contributions as valuable as domestic contributions?

In short, the answer to the latter question is yes. In their analysis, based on FARA data from 1978-1982, the authors find support for the standard conclusion that domestic lobbies are able to protect their specific sectors. Both tariffs and non-tariff barrier (NTB) coverage ratios[14] increase with the presence of domestic import-competing lobbies. Yet, they also find "a countervailing influence on the U.S. tariff of a similar magnitude exerted by foreign lobbying" (568). Ceteris paribus, organized foreign lobbies within a sector reduce both tariffs and non-tariff barriers within that sector. These results are robust to a variety of model specifications and the introduction of control variables found in prior studies of trade policy. Based upon this work it appears that politicians are not only moved by contributions but also that they don't necessarily care who makes those contributions.

In their model Gwande et al. (2006) argue that foreign firms will lobby for general reductions to trade barriers within their sector. That is to say, a foreign firm will attempt to reduce U.S. trade barriers within that specific sector which would benefit any firm exporting to the U.S. in that sector, including a firm's competitors in other countries. Given concerns over externalities across exporters and the free rider problem,

[14] NTB coverage ratios are the percentage of industry imports that are covered by some type of protection that is not a tariff. Gawande et al (2006) note that these measures are problematic for various reasons, not least of which is that they do not account for differences in the restrictiveness of these barriers. They simply rate all NTB's equally. In spite of these problems, the authors reach the same conclusion regardless of the measure utilized.

this seems unlikely according to Kee et al. (2007). Building upon the basic Protection for Sale model and the work of Gawande et al. (2006), the authors extend the model by arguing that foreign lobbying should be associated with preferential rather than non-discriminatory access to markets because exporters reap greater rewards when market access is bilateral rather than multilateral. In addition to the fact that sector-wide tariff cuts benefit exporters in all countries, exporters also would ideally like to take market share away from U.S. domestic firms *and* exporters in other countries. In short, a firm's comparative advantage increases as its level of exclusive market access increases;[15] consequently, so too do the benefits of lobbying.

Kee et al.'s (2007) model picks up where Gawande et al. (2006) left off by utilizing the same basic model with the Grossman and Helpman (1994) framework. Their principal addition is accounting for the fact that foreign firms reside in specific countries that can collectively lobby for country-specific market access. According to the authors, "Foreign firms decide the level of their contributions to the US government in order to maximize their profits net of lobby contributions" (82). Furthermore, the U.S. government decides whether to accept the offer based upon maximizing an objective function that includes a matrix of foreign contributions, predetermined tariffs, and social welfare (consumer surplus, producer surplus, tariff revenue, and foreign contributions).[16] The model ultimately leads the authors to argue that "tariff preferences measured at the

[15] In fact, even the country specific bilateral agreements analyzed by Kee et al. (2007) would be inferior to a firm specific agreement that gave preferential access to a single firm within a single country. Such an agreement would secure a foreign firm's comparative advantage both internationally and against firms in its home country. However, such firm specific trade agreements are currently nonexistent in the realm of international trade agreements.

[16] It is unclear why foreign contributions are included as part of the social welfare function, especially given that prior analyses have explicitly set these up as two different and often opposing forces.

industry level…are positively associated with foreign lobby contributions…and negatively associated with potential tariff revenue…both measured at the industry level" (84). In their empirical analysis Kee et al. find strong support for the argument that foreign lobbyist's contributions are important predictors of preferential market access in the U.S. They also reach a conclusion, very similar to Gwande et al., arguing that "When it comes to political contributions, a dollar is a dollar, no matter whether lobbying originates in the US or abroad," (80). Moreover, they reach the astounding conclusion that, "The US government puts five times more weight on foreign lobby contributions than on tariff revenue forgone when setting tariff preferences" (93).

Conclusion

As this discussion attests, the study of interest group influence on trade policy illustrates the possibility of building a cumulative and coherent subfield investigating interest group power and influence. Scholars within this realm have accumulated knowledge by building upon a common theoretical framework and utilizing many of the same indicators of influence and power. The result is a vivid picture of the impact that domestic and foreign lobbying groups have on trade policy. As with any research endeavor, however, there is room for improvement and expansion. First, and most obvious, this research field investigates a single issue, trade policy. Thus, it is uncertain how well this model will travel to issues outside of trade policy. How generalizable are these findings? Second, in spite of a focus on economic policy, this field does not provide a dollar per dollar estimate of lobbying influence, or even attempt to do so. While this literature says that foreign lobbying can lower tariffs, it does not say what

will be the exact economic benefit of these tariff reductions. This is vital because the protection for sale model is predicated upon interest groups weighing the benefits of lobbying against the costs of lobbying. If the costs exceed the benefits then the rational country or organization should not lobby. Without a direct dollar per dollar estimate of lobbying benefits researchers are forced to assume that lobbying is rational.

To fill these voids in the literature and to analyze the generalizability of the protection for sale framework, I present a model of foreign lobbying and foreign assistance in the next chapter. Specifically, I focus on U.S. economic and military assistance. These areas were chosen based upon their amenability to analysis within the protection for sale framework, their uniquely political characteristics,[17] and the simple fact that no prior analysis of their susceptibility to foreign lobbyist's influence exists. Drawing upon the Protection for Sale model and pivotal extensions by Gawande et al. (2006) and Key et al. (2007), I develop a theory of foreign lobbying and foreign assistance that allows me to answer several questions: Is foreign assistance for sale? Is there a direct economic benefit to lobbying for foreign assistance? Are foreign lobbyists from one country able to reduce U.S. foreign assistance to another country?

[17] While it might be argued that trade and tariff policies are also politically driven, they are typically explained as a result of market forces. Economic and military aid, on the other hand, are not overtly susceptible to market forces and are much more heavily influenced by political factors (see e.g. Alesina and Dollar 2000).

CHAPTER III

A THEORY OF FOREIGN LOBBYING AND FOREIGN ASSISTANCE

According to Samuel Huntington, "American politics attracts foreign money because the decisions of its government have an impact on people and interests in every other country. The power to attract resources is thus a result of the power to expend them, and the resource inflow is aimed at affecting the direction of the resource outflow" (1997, 47). This is precisely the relationship expected here. For years the U.S. has been the world leader in total economic and military assistance given out. With such a large pool of resources being expended it is hardly surprising that representatives from other countries would vie to capture part of this bounty.

To analyze this relationship I present a theory of foreign lobbying that draws from the trade policy literature discussed in the previous chapter,[18] with key modifications and extensions to account for the intricacies of foreign assistance allocations. In my model each country lobbies for economic or military aid for their country, rather than for general increases in U.S. aid. I also recognize that politicians are not the only targets of foreign lobbyists. Bureaucrats have substantial control over the aid allocation process and their motives are not dissimilar from those of politicians. Thus, I use the term "political actor" to refer to both politicians and bureaucrats, both of which are expected to be amenable to lobbyist influence. Finally, to make theoretical exposition clearer I do not use the term social welfare. In my model political actors

[18] Unlike these authors, however, I do not formalize the argument. The argument is fairly simple and intuitive. The formalized arguments presented by these authors do not lead to counterintuitive expectations. Because these same basic, logical expectations can be reached without formalization, I refrain from introducing a formal model for the sake of simplicity and in the hope of increasing the accessibility of this dissertation to those unfamiliar with formal modeling techniques.

attempt to maximize the utility received from public and private goods (foreign lobbying). This terminology reflects the key distinction between foreign lobbying and other influences on the aid allocation process. Public goods here are very different from the social welfare that results from trade policy. Here public goods are the general promotion of U.S. strategic military and economic interests abroad along with the purely humanitarian benefits received by helping those in need,[19] minus the costs of foreign assistance. Political actors attempt to maximize these public goods *and* the private goods they receive from foreign lobbyists, and aid policy is formulated accordingly.

This model extends a current theoretical framework, with important modifications, to another policy realm. My aim is to analyze the impact of foreign lobbying on non-trade policy components of U.S. foreign policy, and my theoretical contribution is that I account for the uniquely political components of foreign assistance. As was explained above, the problem with research on interest group influence is not due to a shortage of theory; in fact just the opposite is true. Thus, to avoid one of the many factors leading to the non-cumulative nature of this field my analysis builds upon an existing theoretical framework and extends it to a new policy realm. I have taken explicit steps to ensure that this is not a theory "island," but part of a much larger and growing "continent" of research investigating foreign lobbying and its impact on foreign policy.

In the remainder of this chapter, I first discuss the actors and assumptions of my model. Next I discuss actor strategies and objectives. I then arrive at a theory of foreign

[19] For politicians these humanitarian benefits need not be purely altruistic as voters may reward them for these humanitarian efforts.

lobbying and foreign aid allocations. I provide a visual depiction for this theory of the aid allocation process which I use to derive testable hypotheses. I conclude the chapter with a brief discussion of how this theory adds to our understanding of interest group influence and how the theory will be tested in the following chapters.

Actors and Assumptions

Actors Are Motivated by Private and Public Goods

My theory of actor behavior is largely consistent with rational choice. I agree with rational choice theorists that political actors are akin to economic actors in that they strive to maximize their own utility or, in other words, further their own self interest (see e.g. Downs 1957, 1967; Fiorina 1977; Niskanen 1971, 1991). However, I also agree with a number of scholars that altruism, or the pursuit of the "public spirit," helps to guide the behavior of political actors (see e.g. Brehm and Gates 1997; DiIulio 1994; Mansbridge 1990; Monroe 1998; Rom 1996). Self-interest is clearly important, but it does not provide a complete picture of political actor motivations. The assumption of both self-interested and altruistic motivations better reflects the varying pressures placed upon political actors. Above all, it reflects empirical reality. According to Congressman Bruce Braley, "I look at these as two separate and distinct things that I do. One is to try to get re-elected, and the other is to do a good job for my district, and I think that's the way most members look at it."[20] In short, I assume that political actors attempt to maximize the utility they receive from self-interested, or private goods, and from altruistic, or

[20] Rep. Braley was quoted in an NPR article by Overby and Seabrook (2009).

public goods. Furthermore, I assume that lobbying resources are expected to provide a net benefit to any recipient.[21]

Foreign Lobbyists Pursue Aid for Their Country, Not Aid in General

Like political actors in the donor country, I assume that foreign lobbyists are also rational actors. They seek to increase the amount of aid given to their country and minimize the costs of obtaining this aid. Consequently, I assume that foreign lobbyists advocate for increased aid to their country and are not advocates for general increases in U.S. aid allocations. This assumption is borne out by the FARA semi-annual reports, which reveal no instances of lobbying for a general increase in U.S. aid allocations from 1997-2001, the period under study here.

Actors: Foreign Lobbyists Target Politicians and Bureaucrats

As with the trade policy literature I assume that legislators, foreign interest groups, and domestic interest groups are actors in the aid allocation process. Unlike prior analyses, however, I assume an additional actor. If foreign entities are rational they will direct lobbying efforts at those with the greatest leverage over foreign policy. "Political executives and bureaucrats influence both the laws legislators adopt *and* how they are implemented. Organized interests cannot, therefore, focus solely on legislatures," according to Lowery and Brasher (2004, 218). Thus, I account for the fact that, in the

[21] It is possible that lobbyist resources could have greater impacts on bureaucrats compared to politicians or vice versa. Unfortunately, the data currently available do not allow me to test for this possibility. In either case though I expect for contributions to benefit the recipients in the manner described here. Future research should be directed at answering the question of where lobbying is most effective in the foreign assistance realm.

realm of foreign assistance, bureaucrats are a clear lobbying target for foreign entities.[22] Lobbying contributions are powerful because politicians face reelection constraints, but the structure of the foreign aid allocation process indicates that it may be erroneous to focus exclusively on politicians.

A brief overview of the foreign aid allocation process will make this clear. While Congress has at times passed encompassing authorization laws such as the Foreign Assistance Act of 1961 and the Arms Export Control Act of 1976, no major foreign assistance measure has been signed into law since 1985.[23] In lieu of major authorization bills, appropriations within the Foreign Operations spending bill, which sets spending levels for almost all foreign assistance programs, have become the primary means of Congressional influence over U.S. foreign assistance. So, foreign lobbyists will rationally target members of the Committee on Foreign Relations and the Committee on International Relations in the Senate and House respectively, which are jointly responsible for putting together the Foreign Operations spending bill. Thus, there is ample reason to assume that at least some politicians will be the target of foreign lobbying efforts.

However, these appropriations bills paint with incredibly broad strokes, and my focus is on the exact distribution of foreign assistance to specific countries. Bureaucrats and their discretionary powers will, accordingly, be highly sought after by foreign

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[22] It could also be argued that lobbying groups attempt to alter public opinion, and there is evidence of this in the foreign lobbying data utilized in this dissertation. However, this mechanism of influence inevitably has to work through politicians or bureaucrats to have any impact on policy, which would ultimately lead to the same outcome.

[23] Congress has however enacted targeted legislation such as the SEED Act of 1989, the FREEDOM Support Act of 1992, and the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003.

entities hoping to influence U.S. foreign assistance outlays. According to Tarnoff and Nowels:

> Generally speaking, government foreign service and civil servants determine the direction and priorities of the aid program, allocate funds while keeping within congressional requirements, ensure that appropriate projects are in place to meet aid objectives, select implementors, and monitor the implementation of those projects for effectiveness and financial accountability (2000, 26).

Thus much of the governmental influence on aid flows comes from agencies like the U.S. Agency for International Development (USAID) which handles the vast majority of bilateral economic assistance, and the Department of Defense (DOD) alongside the office of Politico-Military Affairs in the State Department which administer nearly all military assistance.

The key theoretical point, and the extension I provide to prior models, is that lobbyists can target different principles within the government. In the foreign assistance realm bureaucratic discretion is evident. A theory of foreign influence on U.S. policy should thus account for the vital role bureaucrats play in this process.

The Moving Parts: Actors and Their Objectives

Public Goods and Interests

U.S. political actors are concerned with promoting the public good, which is defined here as U.S. political, military, economic, and humanitarian interests minus the costs of foreign aid. Foreign governments present opportunities to fulfill these objectives. Every country presents a unique menu of public goods to the U.S. Some possess strong economic ties, others strong military ties, and still others may possess no ties at all. In short, alignment with the U.S. politically, militarily, or economically varies

by country. Political actors in the U.S. know the public interests and know how each country can help to fulfill these interests. Political actors attempt to maximize the public goods generated through the aid allocation process by giving more aid to countries that fulfill public interests. Political actors both reward countries for their current alignment with the U.S. and attempt to further promote ties with the U.S.

The U.S. uses foreign assistance to generate public goods in several ways. First and foremost, foreign assistance has long been used as a weapon to further U.S. strategic military and economic interests. For decades a considerable amount of foreign assistance came in the form of loans to developing countries, which subsequently became straddled with insurmountable debts that forced them to become subservient to U.S. military and economic interests (see Perkins 2004; Hiatt 2007). Reliance on loans as a means of assistance has declined precipitously over time, however. In 2001 loans represented less than 1% of aid appropriations, both economic and military, according to government records.[24] The word "appropriation" is somewhat misleading as well because the vast majority of foreign assistance comes back to the U.S. via procurement of goods and services. According to Tarnoff and Nowels, "In FY2004, roughly 87% or $3.7 billion of military aid financing will be used for procurement of U.S. military equipment and training. The remaining 13% are funds allocated to Israel for procurement within that country" (2004, 19). This appreciable rate of return of funds to U.S. interests and the resulting economic stimulus it provides to the country effectively counter a sizeable

[24] This is an important factor that makes aid a public good for foreign entities.

portion of the direct costs for financing these programs.[25] The return of foreign assistance funds to the U.S. simultaneously works to quell counteractive lobbying by domestic interests. Organized interests within groups like the so called "military industrial complex" benefit when overall levels of foreign assistance increase. Thus, outside of ethnic minority interest groups like AIPAC, I expect there to be little organized domestic resistance against foreign assistance given to particular countries.[26]

In addition to these direct economic benefits, foreign assistance also provides public goods to the U.S. by promoting international security and peace. During the Cold War foreign assistance was a key foreign policy tool in the fight against communism. According to Alesina and Dollar (2000), when a country democratized its level of foreign assistance increased by 50%. The present day, albeit indirect, benefit of this relationship between foreign assistance and democratization is the oft cited "Democratic Peace" proposition (i.e. Small and Singer 1976) that two democracies are, at the very least, extremely unlikely to go to war with one another. Additionally, following the terrorist attacks on September 11th 2001 the Bush administration declared that contributing to the war on terrorism would be the top priority for foreign assistance programs. This marked the first time in history that foreign assistance was deemed a "pillar" of national security.

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[25] Also apparent are a variety of economic spill over effects due to aid's conditionality on economic liberalization, which invariably benefits large multinational firms in the U.S. These are discussed in greater detail in the empirical chapter on economic assistance presented below.

[26] I do however expect groups like AIPAC and public opinion towards specific countries to have a marked impact on U.S. foreign assistance. This is discussed in greater detail within the quantitative chapters presented below.

The purely humanitarian benefits of foreign assistance (e.g. giving aid to poverty stricken or war-torn countries) operate alongside these strategic military and economic factors in what can be a policy priority tug-of-war. There is considerable debate over which set of factors is and which should be the primary driving force behind U.S. foreign assistance (for a review see Alesina and Dollar 2000 and Chapter I here). While the weight of the evidence indicates that strategic political forces are the dominant explanation of aid flows it would be difficult to argue convincingly that humanitarian concerns are irrelevant, otherwise OECD member nations would be just as likely to give aid to each other as to a developing country. Politicians, bureaucrats, and the general public receive some level of satisfaction believing that they contributed to alleviating hardships around the world. For example, Hurricane Katrina showed that the general public can become agitated when steps are *not* taken to alleviate suffering.

It is clear that foreign assistance provides a number of public goods for the U.S. The humanitarian and strategic impacts are generally positive and the monetary costs of foreign assistance are primarily redirected back to U.S. entities. Additionally, the provision of foreign assistance, particularly to specific countries, is almost always a low salience issue. For the years under study in the empirical analyses presented in the following chapters, 1997-2001, foreign assistance annually amounted to around 1% of all government spending. Combine this with the fact that this limited dollar amount is appropriated in subcommittees on an annual basis, and distributed to more than 100 countries annually, and it is easy to understand why the American public has such

limited knowledge of foreign assistance funding.[27] Thus, donor country actors are largely unencumbered in their pursuit of public goods generated from the allocation of foreign aid.

Public goods are also relevant to recipient countries because foreign aid is a public good. As previously mentioned, less than 1% of all aid allocations are loans, thus more than 99% of aid is, for all practical purposes, free. Consequently, when it comes to foreign assistance more is better for foreign entities. In my model, agents representing foreign entities interested in aid have the overriding objective of obtaining more foreign assistance for the countries they represent. The only constraint on this pursuit of aid is that the costs of lobbying do not exceed the benefits of heightened foreign assistance. This follows from the assumption that foreign entities are rational rent-seeking actors.

Another offshoot of the rationality assumption is that foreign entities have another objective, limiting aid to rival countries. If aid is a public good, then reducing its flow to rivals is also a public good in the same way that the U.S. benefits from promoting its allies, international security, and peace. Limiting aid to a rival reduces the security threat that country poses.

Rival countries are very much akin to competing firms. A gain for one is a loss to the other. When India receives military aid from the U.S. this reduces the security of its neighbor and rival Pakistan. In these situations the utility calculus becomes complex as it is difficult to estimate the utility a country receives from depriving a rival of foreign

[27] For instance, a study of U.S. public attitudes on foreign aid conducted by the Program on International Policy Attitudes at the University of Marlyand (2001) found that the general public grossly overestimates the amount of aid actually given out by the federal government.

assistance. Economic assistance to country X's rival could help spur industry and commerce that might take jobs away from country X. Military assistance to country X's rival could ultimately lead to country X being defeated in an international conflict. As these examples attest, the stakes here can be immense. In these rival interactions gains need not necessarily be thought of in absolute terms. Instead, country gains are relative to the state of the rival. Countries receive positive utility when a rival country is deprived of foreign assistance benefits. Not surprisingly, depriving a country of foreign assistance is the stated objective of many foreign entities in the FARA data utilized here. Because previous research has found a nearly equivalent impact of foreign and domestic contributions on trade policy, and "a dollar is a dollar," there is no reason to expect that political actors would value contributions from one country over another, ceteris paribus.

While the objective is clear, the precise strategy is less certain. The ability of foreign entities to reduce aid to a rival is contingent upon the public goods provided to the U.S. by that country and its rival. It will be difficult to reduce aid to a country that is on highly favorable terms with the U.S. Given that I assume gains and losses are relative to the rival, however, it is logical to lobby against rivals so long as lobbying expenses do not exceed the reduction in aid. Otherwise, foreign entities could just direct the funds into the country as a way to offset the rival's aid.

Private Goods and Interests

As stated above I assume that political actors also have private interests and that foreign entities have private goods that can fulfill these interests. That elected officials are influenced by private goods, primarily political contributions, is clear. Without

getting reelected they cannot supply public goods, and are out of a job. It is less well known that bureaucrats also value private goods like agency budgets, job security, and ease of work (Downs 1967; Niskanen 1971, 1991). In perhaps the most in-depth analysis of bureaucratic motivations Golden found that "Self-interest existed side by side with more altruistic motivations and competed with civil servants' internal codes of conduct," (2000, 160). In short, both politicians and bureaucrats have private interests that help to guide their behavior. Foreign entities know this and have the ability to provide the private goods these officials need. The provision of these private goods is not without consequence, however. The objective of foreign entities in my model is to obtain a public good, namely aid for their country. They expend resources with this specific objective in mind. Resources are given to those with the ability to increase aid and with the expectation that aid amounts will actually increase (or decrease in the case of lobbying against a country's rivals). Where there is no influence there should be no lobbying. Political Darwinism ensures that political actors unable to deliver the public good, increased aid, will not receive private goods from lobbyists.

Once again, the objectives are clear. Political actors in the U.S. need private goods and foreign entities are willing to provide them in exchange for aid. The precise mechanism of this lobbyist influence is somewhat contentious, however, and a topic of some debate in the field of interest group influence. The original Protection for Sale model produced by Grossman and Helpman (1994) as well as the key extensions by Gawande et al. (2006) and Kee et al. (2007) assume that interest group influence occurs solely via an exchange relationship where contributions are exchanged directly for

policy concessions. This exchange approach represents only one strand of research on the mechanisms of interest group influence. In all, there are three general strands of interest group influence research: exchange, persuasion, and legislative subsidy.[28]

The exchange theory of lobbying has arguably been the dominant explanation of lobbying behavior over the past several decades. Stemming from the work of early opponents of the pluralist approach (e.g. Lowi 1969; Stigler 1970), it assumes that both interest groups and elected leaders are rationally self interested actors. Thus, interest groups are willing to exchange financial (typically campaign) contributions for votes on a particular issue or set of issues. This is known as vote buying (for a review see Schaffer 2007), even though the economic exchange relationship can also include a third party, the bureaucracy. Research investigating the "Iron Triangle" that consists of Congress, interest groups, and the bureaucracy contends that there is a self-reinforcing and reciprocal relationship between these entities in many policy areas, particularly in defense contracting (Adams 1981; Briody 2003). The argument is similar to a simple bilateral exchange, except that Congress exchanges not only votes, but also influence over the bureaucracy. Additionally, interest groups are also able to win over the bureaucracy through their control, or presumed control, of Congress. While the Federal Election Campaign Act explicitly forbids foreign nationals from donating or spending funds in connection with any election it is practically impossible to determine the exact funding source when a U.S. agent, who receives money from a foreign principal, makes

[28] These three categories are taken from Hall and Deardorff (2006).

a campaign contribution. Thus, exchange relationships are a potential avenue for foreign influence over foreign assistance.

Lobbying is often referred to as the "art of political persuasion" (Zetter 2008). Adherents of the persuasion theory of lobbying contend that the primary weapon in a lobbyists' arsenal is not money, but information. Specifically, they contend that lobbyists persuade politicians to adopt policy stances in line with the groups' preferences by convincing the politician that these stances will increase a representative's likelihood of reelection. In this case representatives are still rational reelection seeking individuals and lobbyists are still seeking to influence their votes and policy stances, but the variable doing the work here is not money, it is information about the value of different policy stances. Bureaucrats want information for a multitude of reasons. For example, they can use it to better their work generally, increase their promotion potential, or to provide better policy outputs for the public. Representatives need information so they can adopt policy stances most in line with their constituents so as to maximize their probability of reelection. Lobbyists allegedly guide representatives using information about the policy preferences of the constituency, influential donors, or anyone with an ability to impact a representative's reelection prospects (Austen-Smith 1996; Wright, 1996). There are no limitations on foreign entities' attempts to persuade legislators or bureaucrats, so persuasion as a means of influence should work just as well for foreign interests as it does for domestic interests.

There are a number of puzzles inherent within theories of lobbying as economic exchange or persuasion. Most notably, both theories have great difficulty explaining

empirical reality. If these theories were correct we would witness a considerable amount of lobbying activity being dedicated towards undecided legislators, some directed at a groups' opponents, and very little or none directed at legislative allies. In reality just the opposite occurs. PAC contributions go predominantly to allies (see Brownars and Lott 1997; Grier and Munger 1991; Hojnacki and Kimball 2001) and in general, most lobbying efforts are directed at allies (Baumgartner and Leech 1997; Hojnacki and Kimball 1999; Schlozman and Tierney 1986). To account for this disjunction between theory and reality, Hall and Deardorff (2006) propose an alternative view—lobbying as legislative subsidy.

According to Hall and Deardorff,

> Direct lobbying, in our view, typically is not a strategy for changing legislators' preferences over policies. Nor is it about keeping them from being changed. Rather it is an attempt to subsidize the legislative resources of members who already support the cause of the group. In short, lobbying operates on the legislator's budge line, not on his or her utility function. It is akin more to a gift than a trade (2006, 72).

The lobbying as legislative subsidy argument is premised upon several assumptions, the most important of which is that legislators' resources are scarce.[29] Consequently, lobbyists can offer important informational, and even administrative, resources to legislators that increase the likelihood of success on an issue. This symbiotic relationship benefits the lobbyist by giving them access to and influence through a legislative advocate and the legislator benefits by having greater resources to succeed on the particular issue, as well as being able to shift some resources to other

[29] While this argument is legislator specific, the carry over to bureaucrats is straightforward. Bureaucrats too have limited resources: time, information, etc. and will certainly utilize additional resources directed at pursuing these same objectives.

issues of interest. Thus, interest groups focus attention on aiding ally legislators or issue "champions" in their efforts to push a particular issue through rather than trying to persuade or "buy" votes from undecided or oppositional legislators according to the legislative subsidy argument. Once again, there are no limitations on foreign entities' attempts to exercise influence through legislative subsidy. Thus, I expect that foreign entities will have as much success using this method of influence as their domestic counterparts.

I argue that each of these three mechanisms is a potential avenue for foreign entities to exercise influence over U.S. foreign policy, and each is used to a varying degree. I do not argue nor test to see which approach is the most effective means of foreign lobbying.[30] My argument is simply that foreign influence can consist of more than just exchange relationships, which is a significant improvement upon existing theories of foreign lobbying influence.

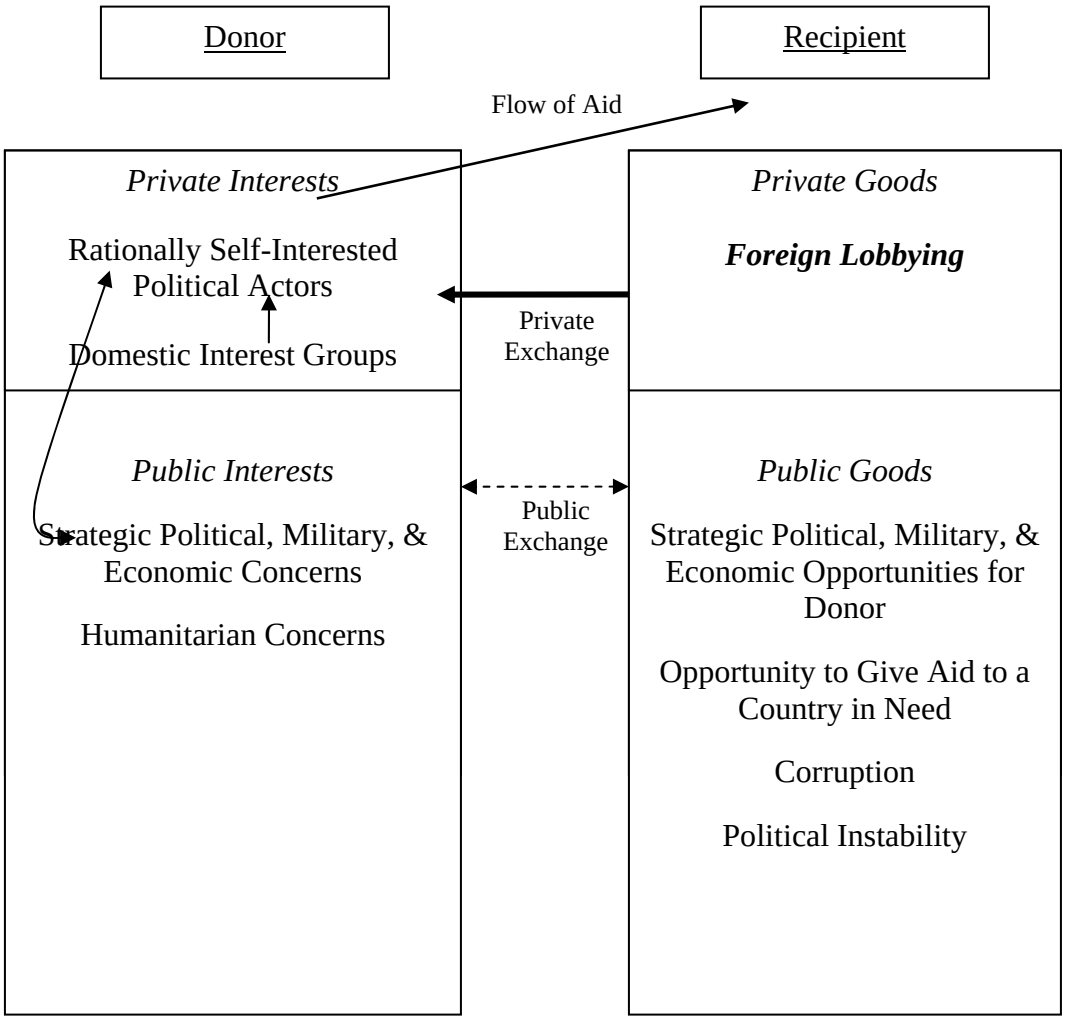
Thus, in line with previous scholarship (e.g. Ahrari 1987; Rubenzer 2008; Uslaner 2007), I argue that U.S. government foreign assistance will be exceptionally prone to foreign influence. Political actors in the U.S. need private goods to survive. Foreign entities possess the private goods (or resources to procure them) that political actors need. The goods are provided via one of the mechanisms described above in return for the public good of foreign aid, contingent upon the impact to U.S. public

[30] This is a project that would likely be a dissertation in and of itself. The FARA data utilized here do not provide information on the precise form of influence exercised. They simply state how much was spent by the foreign entity and to whom it was directed. Thus, my agnosticism on this subject is necessitated equally by practical focus and data availability. The question of foreign lobbying influence mechanisms, however, is extremely important, and, seeing as there is currently no study investigating this topic, it seems to be an extremely fertile area for future research.

goods. All told, the impact of lobbyist contributions on government is fairly straightforward: contributions from or in favor of a particular country make it more likely that the country will receive greater foreign assistance.

A Visual Depiction of the Aid Allocation Process

Figure 1: The Determinants of Aid Allocations



Based upon these actors, assumptions, and strategies, Figure 1 visually depicts the aid allocation process. Political actors in the donor country ultimately determine the amount of aid allocated to a specific country (the diagonal line). This decision is based upon their optimization of two factors: public and private goods. Public goods, by definition, benefit the public at large. They include donor concerns for strategic political, military, economic, humanitarian issues, and the cost of aid. Recipients, or potential recipients, provide opportunities for fulfilling these donor goals. Thus, the U.S. receives an international signal[31] denoting the international opportunities available for giving aid to a particular recipient (the dashed line), and simultaneously the U.S. provides potential recipients with an indication of the international interests that drive it to allocate aid. These international interests and opportunities are weighed by political actors in their decision to allocate aid to a specific country (the curved line). Above these public goods there are private interests which influence the aid allocation process. This includes the private interests of domestic interest groups and rationally self interested political actors. Domestic interest groups provide private goods to political actors in hopes of fulfilling their private interests.[32]

My contribution is to account for the impact of foreign lobbying. Foreign lobbying is a private good available from entities within potential recipient countries. It is a resource that may take the form of money, information, human resources or nearly anything needed by the political actor. Unlike all other recipient country influences on

[31] Note that the recipient is not assumed to actually "send" anything; their traits are simply observed by the donor

[32] Private interests include, but are not limited to, resources needed for political survival.

the aid allocation process, this influence is not public. It is not explicitly designed to fulfill any public interest of the donor country. As the large solid black arrow indicates foreign lobbyists specifically target self interested political actors in the donor country. These political actors then use these resources in the process of formulating public policy. This private good is weighed alongside the public goods provided by the donor country and political actors optimize the utility received from both public and private goods. This optimization calculation ultimately determines the amount of aid given to the recipient. What separates foreign lobbying from all prior explanations of the foreign aid allocation process is that it is a private good given from an international actor, which exerts influence via the manipulation of domestic actors in the donor country.

Hypotheses of Foreign Lobbying and U.S. Foreign Assistance

The preceding discussion reveals several expectations about the relationship between foreign lobbying and foreign assistance. First, both bureaucrats and politicians benefit from the resources of foreign lobbyists. Political actors need private goods like money for reelection, information, or simply manpower to fulfill their foreign aid objectives, and they receive a net benefit when foreign lobbyists provide these items. These benefits are weighed against the costs to public interests. Given the preceding discussion, there appear to be few costs when considering increases in the amount of foreign assistance given to a particular country. From the foreign entities perspective, lobbying for foreign assistance is rational when the perceived benefits of lobbying exceed the costs of lobbying. Lobbying is an investment and will therefore require a return on that investment; hence, lobbying for a pure monetary item like foreign

assistance is only logical if the amount of money garnered by a foreign entity's activities exceeds the costs of those activities. Given this, the low salience of foreign assistance allocations, and the minimal public goods cost, I expect lobbying by a foreign entity to increase the amount of foreign assistance given to that country. This is the overarching Hypothesis of this dissertation:

> *Hypothesis 1: As foreign lobbying expenditures by a country increase I expect U.S. foreign assistance to that specific country to increase, all else equal.*

The 'all else equal' portion of Hypothesis 1 subsumes a number of additional hypotheses, primarily concerning the other determinants of aid allocations that I have discussed above. Given the various conceptualizations of public goods in prior analyses, it is important to test our assumptions about these factors. Consequently, the following hypotheses cover the areas of U.S. strategic political, military, and economic interests, donor altruism, and public preferences.

U.S. Strategic Political, Military, and Economic Interests Hypotheses

> *Hypothesis 2: Foreign assistance to a particular country is expected to increase when it aligns with U.S. strategic political, military, or economic interests.*

Altruism Hypothesis

> *Hypothesis 3: Foreign assistance to a particular country is expected to increase with that country's need for aid (economic or military).*

Public Preferences Hypothesis

> *Hypothesis 4: Foreign assistance to a particular country is expected to increase as the level of U.S. citizens from that country increases.*

One of the principal contributions of this dissertation is that I account for the competitive components of foreign lobbying. This influence works alongside and in a countervailing direction to prior conceptions of foreign lobbying as strictly self

promotion. As previously mentioned, countries can benefit when a rival receives less foreign assistance, both military and economic. From a political actor's perspective, if contributions are valued equally regardless of source, the following hypothesis should hold:

Competitive Lobbying Hypothesis

> *Hypothesis 5: Foreign assistance to a particular country is expected to decrease as lobbying against it by its rival(s) increases.*

Conclusion

This theory and this dissertation contribute to our understanding of interest group influence by building upon previous theories and extending the analysis into a heretofore unanalyzed area. While prior analyses have investigated the determinants of foreign assistance and other analyses have utilized foreign lobbying to predict outcomes, no analysis measures the impact of foreign lobbying on foreign assistance. Based upon current scholarship it is not clear whether foreign lobbying will affect foreign aid as it does trade policy. We do not know if the protection for sale theoretical framework is generalizable beyond trade policy. Whether a monetary estimate of the benefits organizations receive from lobbying can be obtained is also in doubt. This dissertation attempts to fill these voids in the literature. In this chapter I expanded upon theories of lobbying and foreign lobbying to derive a theory of foreign lobbying and foreign aid. This theoretical extension allows me to explain U.S. foreign policy decisions that might otherwise seem counterintuitive while also providing an additional realm for testing the concept of interest group influence. I draw from the basic protection for sale theoretical framework and modifications thereof so that this analysis can contribute to a common

thread of understanding and not become isolated as are so many studies of interest group influence. Another benefit to this theoretical approach is that I account for lobbying efforts on multiple levels. Foreign lobbying is compared to domestic influences and rival country lobbying. This provides a more nuanced theoretical picture and empirical explanation than has been offered in prior scholarship. The vast majority of studies investigating interest group influence focus on domestic groups, a small number focus on foreign lobbying, and almost none focus on rival country lobbying; no prior analysis has simultaneously analyzed all three.

This theory has implications and wrinkles that vary by the particular area of foreign assistance that is under concern. The following chapters discuss these issues and provide a test of the general hypotheses as laid out above. In Chapter IV I analyze the impact of foreign lobbying on U.S. economic assistance. Two principle explanations for the allocation of foreign aid have been put forth in the literature. One contends that strategic political and economic concerns of the donor guide international giving (e.g. Alesina and Dollar 2000, Burnside and Dollar 2000), the other argues that recipient need and donor altruism are the determinants of aid allocation (e.g. Mayer and Moller 2003; Pedersen 1996). The purpose of this analysis is to elaborate a third explanation for the politics of development aid. The theoretical framework discussed above indicates that the level of foreign aid given to a specific country should increase with the level of foreign lobbying done by that country in the U.S. Thus, I expect foreign governments to be rewarded for their efforts to "buy free money," in addition to the influence of strategic or altruistic factors.

In Chapter V I analyze the impact of foreign lobbying on military assistance. It is often assumed that military aid goes to countries that share U.S. strategic military interests. This includes military allies and countries, such as Israel, which are in close proximity to potential threats to U.S. national interests. The aid can be used for national defense or to quell internal conflict like Communist uprisings during the Cold War. In practice, however, military aid is awarded for a variety of reasons that do not necessarily conform to pure strategic military interests.[33] One example is shared political ideology with the U.S. (e.g. Blanton 2005). Additionally, there is evidence that military aid is also associated with international U.S. economic interests (Poe and Meernik 1995). In spite of these varied explanations for military aid, there is currently no empirical evidence that foreign lobbying has a systematic effect upon the amount of military aid given to a country. This is an ideal area of foreign policy for foreign lobbyists to exert influence because it is a low salience issue that the American public generally supports (Kull 2005). Thus, lobbying money should translate relatively easily into U.S. military support so long as there are no major U.S. strategic political constraints. Consequently, in Chapter V I test the impact of foreign lobbying on military assistance alongside these plausible, alternative explanations.

In Chapter VI I test the competitive lobbying hypothesis. There is currently no large-N multivariate analysis investigating this issue. The reason for this void in the literature is likely due to limited data availability. Even with lobbying contribution figures by country in hand, it is difficult to claim that those contributions are directed at

[33] For a review of this literature see Jones et al. (2006).

undermining a country's rivals. Even in the most heated country rivalries it is likely that foreign lobbying is a mix of both self promotion and rival undermining. To untangle this complicated web I relied upon the FARA reports that document the stated objectives of the foreign agents in the U.S. To separate rival lobbying from basic country promotion I coded these statements and was able to develop precise figures of rival country lobbying based exclusively upon the activities of the agents doing the actual advocacy. In Chapter VI I use these figures to determine the impact of competitive lobbying on both military and economic aid. The results provide support for hypothesis five, particularly in terms of competitive lobbying reducing the amount of military aid to a county's rivals. Given the gravity of military conflict between rival countries, this finding is not surprising. I discuss the implications of this finding for studies of international conflict and the possibility for future research that this presents.

CHAPTER IV

AN EMPIRICAL INVESTIGATION OF FOREIGN LOBBYING AND ECONOMIC ASSISTANCE

"Sometimes one pays most for the things one gets for nothing."

-Albert Einstein

In this chapter I analyze the impact of foreign lobbying on U.S. economic assistance. Two principle explanations for the allocation of foreign aid have been put forth in the literature. One contends that strategic political and economic concerns of the donor guide international giving (e.g. Alesina and Dollar 2000, Burnside and Dollar 2000), and the other argues that recipient need and donor altruism are the determinants of aid allocation (e.g. Azam & Laffont 2003; Pedersen 1996). The purpose of this analysis is to elaborate a third explanation for the politics of development aid. The theoretical framework discussed in the previous chapter indicates that the level of foreign aid given to a specific country should increase with the level of foreign lobbying done by that country in the U.S. Thus, I expect foreign governments to be rewarded for their efforts to "buy free money," in addition to the influence of strategic or altruistic factors.

As discussed in Chapter I, the two dominant explanations of foreign aid allocations, altruistic and strategic, make different assumptions about the aid allocation process. The altruistic model argues that when a donor decides who to give economic assistance to the decision is motivated primarily by the donor's desire to reduce poverty in the recipient country and generally help them develop economically. The altruistic

model has generated considerable debate in the economic literature and led many to conclude that non-altruistic or strategic motivations are actually the root cause of foreign aid allocation decisions (e.g. Alesina & Dollar 2000). A litany of strategic factors affecting foreign aid allocation decisions have been identified; however, "The measurement of what a 'strategic interest' is varies from study to study and is occasionally tautological," according to Alesina and Dollar (2000, 35). Some examples of strategic interests include the United Nations General Assembly voting relationships (Balla and Reinhardt 2008; Kuziemko and Werker 2006), trade (Meernik, Krueger, and Poe 1998), colonial history (Alesina and Dollar 2000), and military necessity (Lai 2003). That these factors affect foreign aid allocations is fairly uncontroversial in the literature, though there is disagreement over the relative impact of each factor. "While there is some general agreement about what matters for aid giving, namely poverty of the recipients, strategic interests, colonial history, trade, political institutions of the recipients, etc., there is virtually no solid evidence on the relative importance of different variables," according to Alesina and Dollar (2000, 35), who subsequently provide a comprehensive analysis of all these factors in several multivariate models. The purpose of this chapter is to expand upon the work of Alesina and Dollar and others to provide a multivariate test of altruistic and strategic motivations alongside foreign lobbying influences. To show that foreign lobbying influences foreign aid allocations is just a first step. The true test is to gauge the relative impact of foreign lobbying alongside rival explanations of economic aid allocations. Only then will it be possible to estimate fully the overall impact of foreign lobbying in economic aid allocations.

To accomplish this task the remainder of the chapter proceeds in three parts. First, I layout the research design used to investigate the relationship between foreign lobbying and foreign aid allocations. Particular attention is given to the foreign lobbying data, as it is the backbone of this entire project. I then present and discuss the results of the analysis. Finally, I conclude with a brief recapitulation of the findings and a discussion of the relevance of this analysis to studies of economic aid allocations.

Research Design

The first step in conducting this analysis of foreign lobbying and economic aid allocations was acquiring the foreign lobbying data. The U.S. is the only country of which I am aware that annually tracks all foreign lobbying; consequently, it is the only aid donor analyzed here. Even though the data are available, the process of collecting the figures and organizing them in a data processing framework sufficient for the purposes of the analysis here was a painstaking process. To streamline the flow of the manuscript and increase readability in this section I briefly discuss foreign lobbying in the U.S. and the current system of foreign lobbying data collection, while reserving the precise details of the data coding process for the Technical Appendix along with descriptive statistics related to the foreign lobbying data.

The Foreign Lobbying Data

The first major piece of lobbying legislation at the federal level in the U.S. was the Foreign Agents Registration Act of 1938. The law, which was enacted in response to concerns over Nazi propagandists in the U.S., was amended in 1966 to better protect the U.S. decision making process. While they did not completely curtail foreign influence in

the U.S. political process, the 1966 amendments did ensure that all lobbying efforts on behalf of foreign entities would be recorded and that this information would be publicly available. The organization responsible for handling this task is the FARA Registration Unit which is in the Department of Justice's Counterespionage Unit in the National Security Division. According to their website:

> FARA is a disclosure statute that requires persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts and disbursements in support of those activities. Disclosure of the required information facilitates evaluation by the government and the American people of the statements and activities of such persons in light of their function as foreign agents.[34]

Currently, the FARA requires only that foreign agents register with the Registration Unit and "file forms outlining its agreements with, income from, and expenditures on behalf of the foreign principal." These forms are public records and must be supplemented every six months," according to the FARA Registration Unit.[35] While there are penalties for violating the act, including fines and up to ten years imprisonment, the Registration Unit seeks voluntary compliance with the statute. This is evident by the Department of Justice's account that "Since 1966 there have been no successful criminal prosecutions under FARA and only 3 indictments returned or informations filed charging FARA violations." [36] Moreover, the Lobbying Disclosure Act (LDA) of 1995 slightly modified the class of foreign agents registering under the FARA. Following this act agents registering under the LDA are exempt from registering under FARA so long as they do

[34] Source: http://www.usdoj.gov/criminal/fara/
[35] Source: http://www.usdoj.gov/criminal/fara/links/faq.html
[36] Source: http://www.usdoj.gov/usao/eousa/foia_reading_room/usam/title9/crm02062.htm

not represent foreign governments or political parties. This effectively separated foreign business entities engaged in purely economic activities from the more politically motivated entities that are still required to register under the more stringent FARA requirements (Spulak 2008).

For the purpose of the analyses conducted in this dissertation, this split is ideal because it allows me to focus on foreign entities actively seeking to modify U.S. foreign policy. Additionally, the FARA has much more arduous reporting requirements than does the LDA. Most notably, the former requires a detailed description of lobbying activities and has no threshold for reporting lobbying expenses whereas the LDA, even with its more stringent requirements following the passage of the Honest Leadership and Open Government Act of 2007, has registration thresholds of $3000 in lobbying income and $11,500 in lobbying expenses for organizations with in-house lobbyists. These thresholds pose both theoretical and empirical problems by eliminating smaller lobbyists whom collectively, or even individually, can have a significant impact on policy outputs. The FARA's lack of thresholds for reporting ensures that even the smallest contributions will be recorded, even those with obscenely miniscule amounts. For example, Steptoe and Johnson's representation of the Embassy of the Government of Canada netted a paltry $1.60 in expenditures in 1999. In short, the FARA provides a more complete picture of lobbying activity by including all types of lobbying activity regardless of expenditure level than does lobbying data collected under the LDA.

Above all, the FARA includes detailed information on foreign lobbing activities directed at influencing U.S. foreign assistance outlays. The level of detail required of

agents registering with FARA and the ease of access to this data through the FARA Registration Unit's Semi-Annual Reports to Congress has made it possible for me to develop an elaborate dataset that disentangles a variety of lobbying objectives and allows me to focus exclusively on efforts to influence economic and military assistance. Thus, I am able to analyze a variety of foreign lobbying variables. Figure 2 lists the economic aid foreign lobbying variables and definitions utilized in the analysis.

Figure 2: Foreign Lobbying for Economic Aid Variables and Definitions

Variable	**Definition**
Econ Lobby[37]	Total number of instances where a foreign agent[38] lobbied for economic aid. When the same agent lobbies on behalf of multiple principles each relationship is counted. Similarly, when a foreign principal hires multiple agents to lobby each relationship is counted.
Econ Lobby Money	Total amount of money spent lobbying for economic aid.
Econ Lobby Money Govt	Total amount of money spent lobbying for economic aid by the foreign government or governmental representatitves.
Econ Lobby Money Contact	Total amount of money spent lobbying for economic aid where direct contact with U.S. government officials or representatives was made by the foreign agent.
Econ Lobby Money Govt Contact	Total amount of money spent lobbying for economic aid by the foreign government or governmental representatives where direct contact with U.S. government officials or representatives was made by the foreign agent.

[37] Variable names appear in italics
[38] Definitions of terms appearing in the FARA reports can be found in the Technical Appendix.

As previously mentioned the precise details of the coding process used to generate these variables can be found in the Technical Appendix. One of the major advantages of coding the FARA data in the manner I have done here is that I can disentangle foreign lobbying explicitly directed at economic aid from that which is not. This allows a much more direct test of interest group influence. By differentiating governmental from non-governmental foreign entities I can also investigate the relative effect of different types of foreign principals. What is more, I can also compare the impact of different lobbying strategies by investigating incidents where foreign agents make direct contact with government officials compared to those who do not. All told, these various coding techniques allow me to evaluate many of the intricacies of the foreign lobbying process and paint a vivid picture of the impact that foreign lobbying has on the economic aid allocation process in the U.S.

Altruistic and Strategic Explanations of Foreign Aid Allocation

The voluminous literature on economic aid allocation reveals a number of plausible alternative explanations of economic aid allocations beyond foreign lobbying. Based upon previous literature (e.g. Azam and Laffont 2003) it is important to control for the possibility that an altruistic donor may be concerned with poverty reduction and economic development in the recipient country. Thus, I include measures of *GDP* and *Population* to test Hypothesis 3.[39] To control for strategic political and military connections, as per Hypothesis 2a-c, I follow Balla and Reinhardt (2008) and include

[39] Variable definitions and sources can be found in Appendix A.

measures of donor-recipient *Trade*, recipient *FDI*, current donor-recipient *UN votes*,[40] and recipient *Regime Type*. I also account for military factors that may affect economic aid allocations. *Internal Violence* measures the level of internal violence within a country, which may increase a country's need for economic aid. *External Conflict* measures the total number of militarized interstate disputes ongoing in a given year with the U.S. and the country in question on opposing sides. The expectation for this variable is obvious: if the U.S. and a country are engaged in a militarized interstate dispute the U.S. will be extremely unlikely to give that country economic aid.

Domestic Ethnic Lobbying in the U.S.

International signals, while dominant, are certainly not the only determinants of US foreign policy. There are vibrant ethnic lobbies in the US epitomized by organizations like the American Israel Public Affairs Committee (AIPAC). According to Mearsheimer and Walt (2006) pro-Israel lobbyists have significant influence in both the executive and legislative branches of government and were instrumental in advocating for the Iraq war (54-58). While the Israel lobby is perhaps the most powerful foreign lobby in Washington they are certainly not alone. Other organizations include the National Association of Arab Americans, the Cuban American National Foundation, the American Hellenic Institute Public Affairs Committee representing Greeks, and the Armenian Assembly of America. These organized ethnic interest groups, which consist of U.S. residents[41] organized into interest groups based upon ethnic ties to a foreign

[40] Once again, following the lead of Balla and Reinhardt, this is the correlation between U.S. and recipient country votes in the UN general assembly taken from Gartzke and Jo (2006).
[41] U.S. citizenship is a key distinction between the influence of these ethnic interest groups and foreign lobbying; the latter being done at the behest of foreign entities, not U.S. citizens.

country, wield significant power in the U.S. political process (i.e. Anwar and Michaelow 2006; Davis and Moore 1997; Lahiri and Raimondos-Moller 2000; Rubenzer 2008). With the exception of the Cuban American National Foundation (CANF), which is adamantly opposed to the Castro regime, these organizations are generally dedicated to lobbying for U.S. support of their ethnic homeland. AIPAC, which "has worked to make Israel more secure by ensuring that American support remains strong" (AIPAC 2008), is by far the largest and most powerful of these organizations (Tivnan 1987). In fact, it is consistently ranked as one of the most powerful lobbies in all of Washington (Birnbaum 1997; Birnbaum and Newell 2001). AIPAC, like most other ethnic interest groups, is dedicated solely to shaping U.S. foreign policy to benefit its members' ethnic homeland.

A recent example of the power of these foreign lobbies in the U.S. is the withdrawal of Charles Freeman from consideration as Chairman of the National Intelligence Council at the behest of the Israel Lobby. Following his withdrawal Freeman blasted the Israel Lobby:

> The tactics of the Israel Lobby plumb the depths of dishonor and indecency and include character assassination, selective misquotation, the willful distortion of the record, the fabrication of falsehoods, and an utter disregard for the truth. The aim of this Lobby is control of the policy process through the exercise of a veto over the appointment of people who dispute the wisdom of its views, the substitution of political correctness for analysis, and the exclusion of any and all options for decision by Americans and our government other than those that it favors.[42]

[42] Statement accessed on 3-12-09 from the *Wall Street Journal* online at: http://online.wsj.com/article/SB123672847973688515.html?mod=googlenews_wsj

While Freeman's situation may be an extreme realization of the power ethnic interest groups wield in the American political process, it certainly attests to the reach of these organizations.

Thus, in addition to the altruistic and strategic explanations previously mentioned I include *Foreign Pop* in the analyses below, which is a measure of the foreign born population in the U.S. from each specific country in question. This serves as a proxy for domestic influences directed towards a specific country, such as those exercised by ethnic groups like AIPAC and CANF.[43] It also provides a test of Hypothesis 4. *Foreign Pop*, the other control variables, and the measures of foreign lobbying predict the dependent variable: the total amount of U.S. economic aid to each country in question. Economic aid is taken from the U.S. Greenbook and is in constant 2006 millions of dollars.

Methodology

Previous literature has attested to the importance of modeling aid allocation decisions as a two-stage process (Blanton 2000, 2005; Cingranelli & Pasquarello 1985; Lai 2003; McGillvray & Oczkowski 1991; Meernik, Krueger & Poe, 1998; Poe & Meernik 1995). The rationale behind utilizing a two-stage model is that there is a preponderance of observations for which no foreign aid allocations are observed (i.e. a country that does not receive foreign aid in a given year). This is problematic because these non-observations can bias estimates for observations where aid is allocated and if

43 Alternative specifications (not shown) substituted *Foreign Pop* with a dummy variable indicating the presence or absence of one or more organized ethnic interest group representing the country in question and the results presented below were not substantively altered

these non-observations are not included in the model problems of sample selection bias emerge. According to James Tobin (1958, 25), who initially made this realization:

> Account should be taken of the concentration of observations at the limiting value when estimating statistically the relationship of a limited variable to other variables and in testing hypotheses about the relationship. An explanatory variable in such a relationship may be expected to influence both the probability of limit responses and the size of non-limit responses. If only the probability of limit and non-limit responses, without regard for the value of non-limit responses were to be explained, probit analysis provides a suitable statistical model. But it is inefficient to throw away information on the value of the dependent variable when it is available. If only the value of the variable were to be explained, if there were no concentration of observations at a limit, multiple regression would be an appropriate statistical technique. But when there is such concentration, the assumptions of the multiple regression model are not realized. According to that model, it should be possible to have values of the explanatory variables for which the expected value of the dependent variable is its limiting value; and from this expected value, as from other expected values, it should be possible to have negative as well as positive deviations.

Thus, Tobin advocated for simultaneously modeling both the probability of observing a non-limit response and the actual value of a non-limit response. In the first stage of this model regressors are used to explain a dichotomous dependent variable indicating the presence or absence of a zero value on the otherwise continuous dependent variable. These values need not be zero; however, a limit response may simply have a missing value at the limit. Once this probability is accounted for the second stage analyzes the actual level or value of the dependent variable.

One drawback of Tobin's Tobit model is that it requires the regressors in the selection (first) stage be identical to the regressors in the outcome (second) stage. If the factors that lead a variable to be observed are the same as those factors that determine its value once observed this is not a problem. However, in reality this is probably an exceptional case. Particular in regards to foreign aid allocations it is difficult to imagine

a set of factors that could adequately predict both the decision to allocate aid to a country and the actual amount to give that country. There are certainly factors that affect one decision and not the other. Fortunately, James Heckman (1976; 1979) devised a much more flexible model which allows for the utilization of different variables in the selection and estimation equations. This aptly named Heckman selection model contains a variety of previous models as special cases including the Tobit model (Heckman 1979, 155). This model, which has become commonplace in the foreign aid literature, utilizes a probit model in the selection stage to provide a selection bias term that is then incorporated into the second stage model to account for sample selection bias. The outcome stage then provides estimates of the regressors' impact on the regressand that account for the process that generated the observed sample.

While the Heckman selection model overcomes the problem of selection bias inherent in foreign aid allocations, problems inherent to cross-sectional time-series data remain. Autocorrelation and heteroskedasticity plague pooled models such as the one utilized here making estimation problematic. Autocorrelation may lead to false notions of statistical significance if the dependence of cases across time is not accounted for. To overcome this problem I utilize three strategies previously identified in the foreign aid literature as options to overcome problems of autocorrelation. First, when variables exhibit non-stationarity, as foreign aid allocations do because they tend to increase incrementally over time, it is necessary to make the variables stationary through some type of transformation. Following Lai (2003) I log aid allocations to make the data stationary. This technique has the added benefit of abating the severe skewness present

in aid allocations and diminishing the pull of severe outliers. Second, I utilize a lagged version of the dependent variable that is dichotomized to indicate the presence or absence of aid allocations in the previous year. Balla and Reinhardt use this variable as a regressor in the selection stage "to account for the bureaucratic inertia embedded in the allocation process and the lock-in effect associated with multiple-year projects" (2008, 2570). In a footnote the authors note that existing literature omits this variable from estimation equations and that, in their models, fit improves when the variable is included in the selection rather than the regression stage. This is precisely the same result I obtained here; thus, only those models with the lagged dependent variable dummy in the selection equation will be shown. Some analysts investigating foreign aid allocation have utilized a lagged dependent variable in the estimation equation to account for over time trends in country aid allocations. There is evidence, however, that lagged dependent variables bias coefficient estimates downward and are generally inadvisable even when a dynamic process is expected (Hibbs 1974; Achen 2000).[44] Third, to account for additional yearly trends that remain I utilize yearly dummy variables as suggested by Meernik et al. (1998). As Figure 12 in Appendix A attests aggregate U.S. aid allocations do appear to trend over time. Thus, even with in-panel controls for autocorrelation there may be yearly effects on aid allocations across all countries in a given year, and the yearly dummy variables account for this.

In addition to accounting for autocorrelation via these three approaches, I also account for two other methodological issues: heteroskedasticity and simultaneity bias. I

[44] For a rebuttal to this argument see Keele and Kelly (2006), who argue that the use of lagged dependent variables is appropriate in certain situations.

account for panel induced heteroskedasticity by utilizing robust standard errors clustered on the country, as is the convention in cross-sectional time-series models. There is the possibility that, contrary to my expectations in the preceding chapter, foreign aid allocations lead to those countries lobbying the U.S. and not the other way around, or that this process happens simultaneously and causality cannot be inferred. To account for this simultaneity bias I lag all of the independent variables one year. In this setup it would be difficult for even the most astute devil's advocate to argue that aid allocations in time T determine foreign lobbying in time T-1.[45]

Results and Discussion

Table 1 presents the results of my analysis of U.S. economic aid allocations and foreign lobbying. The five models in the table correspond to the five variants of the key independent variable, foreign lobbying, as discussed in Figure 2 above. The remaining variables remain constant across all five models. This is because statistical modeling is often much more of an art than a science, and this is especially true regarding selection models. With standard modeling researchers are told to let theory guide model specification. With selection models, however, theory seldom tells us whether variables belong in the selection, outcome, or both stages. For instance, while democracy may be a critical factor in the economic aid allocation process it is not immediately clear whether it determines whether a country receives aid or, once a country receives aid, the amount of that aid. In spite of these concerns I have attempted to present the model that best

[45] All analyses were conducted in Stata version 9. Full maximum likelihood is used for all Heckman selection models. To aid convergence of the models I utilized the "difficult" option in Stata which employs a different stepping algorithm in non-concave regions.

depicts the impact of these independent variables at the various stages of the aid allocation process.[46] Thus, I include the following variables in the selection equation: *Foreign Lobbying, GDP, Foreign Pop, U.N. Votes, FDI, Trade, External Conflict*, and the previously discussed *Econ Aid (binary)* variable. In the outcome equation I include *Foreign Lobbying, GDP, Regime Type, Internal Conflict*, and *Population*.[47] The only variables to appear in both stages are *Foreign Lobbying* and *GDP*; the latter for its preponderance as a measure of the altruistic model of aid allocation in both selection and outcome stages, and the former given its preponderance in this analysis. Some variables were easily isolated to one stage of the model over the other. For instance, *External Conflict* is clearly a selection variable given that a conflict with the U.S. should presumably reduce economic aid to zero and thus have no impact on the outcome stage. Similarly, *Pop* is only in the outcome equation because the U.S. will likely give more aid to larger countries, but is unlikely to give aid to a country purely based upon its size.

Based upon tests of model specification these choices appear statistically justifiable. All five models possess statistically significant Wald chi-square statistics and Wald Test of Independent Equations (WIE) statistics. The Wald test of independent equations tests if rho, the correlation between the error terms in the two equations, is

[46] Nonetheless no model is infallible. There is an argument to be made that nearly every independent variable presented here could fit into either or both stages of the model. Thus, I ran a multitude of analyses assigning each of the independent variables to either or both stages. Some of these results can be found in Appendix B: Robustness Tests. In these supplementary analyses I was unconcerned with the statistical significance or magnitude of the control variables. I was exclusively concerned with checking the robustness of the findings presented here regarding the foreign lobbying variables, and, regardless of model specification the results found in Table 1 are not substantively different.

[47] Many studies of economic assistance utilize an indicator of prior colonial ties. This captures the ties between former colonizers like Great Britain and France and their former colonies. With my focus on just the U.S., which does not possess near the number of colonial ties, this variable seemed inappropriate and even when it was included in models it failed to attain statistical significance and did not substantively alter the key findings reported here.

significantly different from 0. In this case I can safely reject the null hypothesis and conclude that the amount of economic aid the U.S. allocates to a country is dependent on the factors leading to its choice to give aid. The Wald chi-square statistic tests to see if the independent variables in the model significantly influence economic aid amounts. In every model this figure is statistically significant, thus indicating that the variables collectively do affect U.S. economic aid amounts. Also note that the number of observations, 800, and the number of uncensored observations, 610, is the same in every model, thus making model comparisons valid. In sum, 800 observations over a five year period averages out to 160 observations per year and indicates that very few country/years were dropped from the dataset due to data availability.[48]

Table 1: Foreign Lobbying Variables and Economic Aid

	1	2	3	4	5
Foreign Lobbying Variable	Econ Lobby	Econ Lobby Money	Econ Lobby Contact	Econ Lobby Govt	Econ Lobby Govt Contact
Foreign Lobbying	0.489***	7.60e-07*	7.49e-07*	7.56e-07*	7.39e-07*
	(0.0866)	(3.98e-07)	(4.05e-07)	(4.01e-07)	(4.05e-07)
GDP	-0.00164***	-0.00163***	-0.00163***	-0.00163***	-0.00163***
	(2.33e-05)	(2.38e-05)	(2.39e-05)	(2.38e-05)	(2.39e-05)
Regime Type	-0.567***	-0.608***	-0.604***	-0.609***	-0.606***
	(0.148)	(0.148)	(0.148)	(0.148)	(0.148)
Internal Conflict	0.416***	0.429***	0.429***	0.429***	0.429***
	(0.107)	(0.109)	(0.109)	(0.109)	(0.109)
Population	9.20e-07***	9.55e-07***	9.55e-07***	9.56e-07***	9.57e-07***
	(3.33e-07)	(3.61e-07)	(3.62e-07)	(3.61e-07)	(3.62e-07)

[48] Given the strong ties between Israel and the U.S. there is always concern that a potential outlier such as this will drive estimation results. Exclusion of Israel from the models presented below, however, did not substantively alter the results. Hence, only those models with Israel included are reported here.

Table 1: Continued

	1	2	3	4	5
	Selection Equation				
Foreign Lobbying	0.275***	5.67e-08	5.63e-08	5.61e-08	5.59e-08
	(0.104)	(7.54e-08)	(7.55e-08)	(7.52e-08)	(7.54e-08)
GDP	-3.61e-05***	-3.32e-05***	-3.31e-05***	-3.32e-05***	-3.31e-05***
	(1.12e-05)	(1.15e-05)	(1.16e-05)	(1.15e-05)	(1.16e-05)
Foreign Pop	0.00150*	0.00152*	0.00152*	0.00152*	0.00152*
	(0.000801)	(0.000786)	(0.000786)	(0.000786)	(0.000785)
U.N. Votes	-0.218	-0.216	-0.215	-0.216	-0.215
	(0.173)	(0.177)	(0.177)	(0.177)	(0.177)
FDI	-7.92e-06	-8.22e-06	-8.22e-06	-8.22e-06	-8.22e-06
	(5.96e-06)	(5.97e-06)	(5.97e-06)	(5.98e-06)	(5.97e-06)
Trade	-3.89e-06**	-3.48e-06**	-3.47e-06**	-3.48e-06**	-3.47e-06**
	(1.76e-06)	(1.68e-06)	(1.68e-06)	(1.68e-06)	(1.68e-06)
External Conflict	-0.0912	0.00438	0.00657	0.00677	0.00788
	(0.341)	(0.372)	(0.372)	(0.372)	(0.373)
N	800	800	800	800	800
Uncensored	610	610	610	610	610
Log pseudo-likelihood	-1353.3183	-1362.133	-1362.335	-1362.217	-1362.444
Wald chi-square	182.73	154.42	154.09	154.26	153.97
Prob > chi-square	0.00	0.00	0.00	0.00	0.00
WIE chi-square	8.18	9.16	9.15	9.17	9.17
Prob > chi-square	0.00	0.00	0.00	0.00	0.00

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Dependent variable is logged total U.S. economic aid in constant 2006 dollars

Outcome stage includes year dummy variables & an econ. aid t-1 dummy (not shown)

Wald chi-square is the overall model Wald statistic and WIE is the Wald Test of Independent Equations statistic

Turning to the results for the key variable of interest, *Foreign Lobbying*, the table reveals that the variable is a statistically significant predictor of economic aid amounts in all five equations. Regardless of the foreign lobbying variable utilized, economic aid to a country increases when economic aid related lobbying by that country increases. The greatest impact is in Model 1 which utilized the *Econ Lobby* measure of foreign lobbying that records the total number of foreign principal-agent relationships that involved lobbying for economic aid. Given that the dependent variable is logged and the independent variables are not coefficient magnitude is not directly interpretable. In these so called "log-linear" models, where the dependent variable is logged and the independent variables are not, the dependent variable changes by a percentage equal to 100 times the parameter estimate for a one unit increase in the independent variable while all other variables in the model are held constant. Thus, the *Econ Lobby* parameter estimate of .489 indicates that, if everything else is held constant, and just one more foreign agent lobbies for economic aid to a country, that country would on average expect to see economic aid from the U.S. increase by 48.9%.

For the Econ Lobby Money variable every additional dollar expended on economic aid lobbying increases the expected allocation by .000076%. While this may seem like a miniscule magnitude of effect it is important to consider the scales being dealt with here. Between 1997 and 2001 amongst countries receiving economic aid from the U.S. the average allocation amount exceeded $65 million. This means that on average every dollar increase in lobbying expenditures leads to a $49.40 increase in economic aid. From a mathematical perspective this is a large magnitude of effect, and

in real-world financial terms it is an immense return on an investment. The parameter estimates for the other foreign lobbying variables indicate a similar magnitude of effect, though note that the magnitude of effect actually decreases when the expenditures are directed at governmental representatives or the foreign agent is a governmental entity. These parameter estimates, however, are not statistically distinguishable given that the confidence intervals overlap. This indicates that, contrary to expectations, foreign governments are no more effective at lobbying for economic aid than are other foreign entities and that there is no statistical support for the argument that foreign agents making contact with U.S. government officials are able to procure more economic aid.

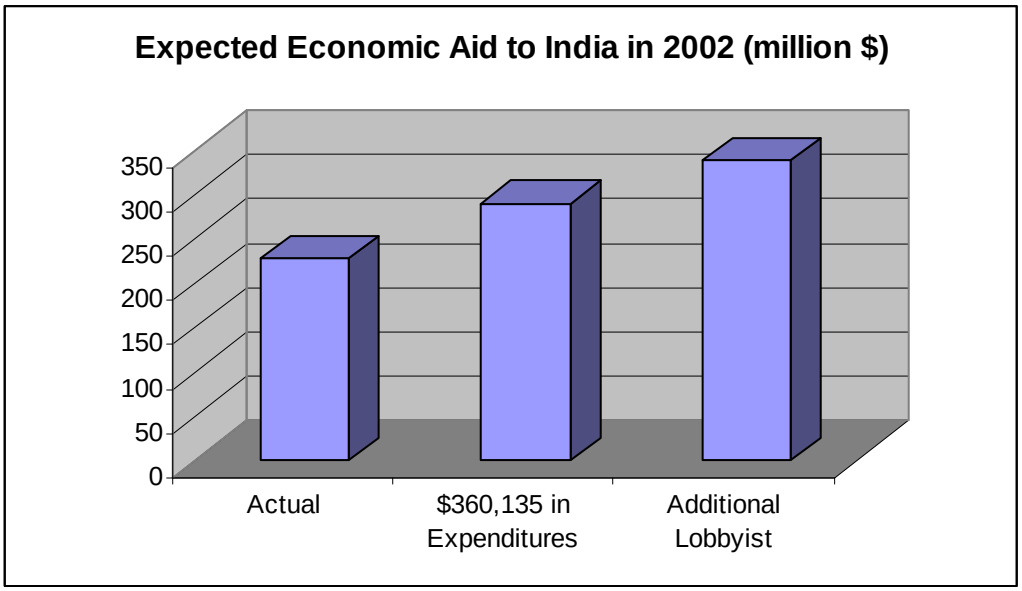
When these aggregate results are broken down by country the results are even more striking. All countries lobbying for economic assistance received it in the following year and no countries that had received economic assistance in one year and received none the following year had lobbied for economic aid. Whether or not it was the lobbying itself that saved countries from losing aid is uncertain, or whether there is a selection effect wherein only those countries with high probabilities of retaining aid lobby for it is uncertain based upon these simple figures. Yet, it is remarkable that with a total of 145 country-years of lobbying for economic aid from 1997-2001 there was not a single incidence of a country failing to receive economic aid in the following year.

Two examples, based upon India in 2002 and Croatia in 1998,[49] provide a richer description of the influence foreign lobbying has on aid allocations. In 2002 India

[49] These cases are illustrative because they were both predicted exceptionally well by the model even though India, which did not lobby for economic aid, received considerably more aid than Croatia, which did lobby for aid. Additionally, these examples show how a country receiving a large amount of aid (India) receives considerably more aid for its lobbying efforts than does a country receiving a smaller amount of aid (Croatia).

actually received $227.5 million in economic aid from the U.S., and Model 1 in Table 1 predicted that the country would receive $227.471 million.[50] India did not lobby for economic aid in the preceding year, thus this figure is driven exclusively by the alternative explanations of aid allocations. Based upon the *Econ Lobby* parameter estimate in Model 1, though, if India had utilized just one foreign agent they could have expected to see an additional $111 million in aid. Based upon the *Econ Lobby Money* parameter estimate in Model 2, every dollar spent lobbying for economic aid would have

Figure 3: Expected Economic Aid to India in 2002



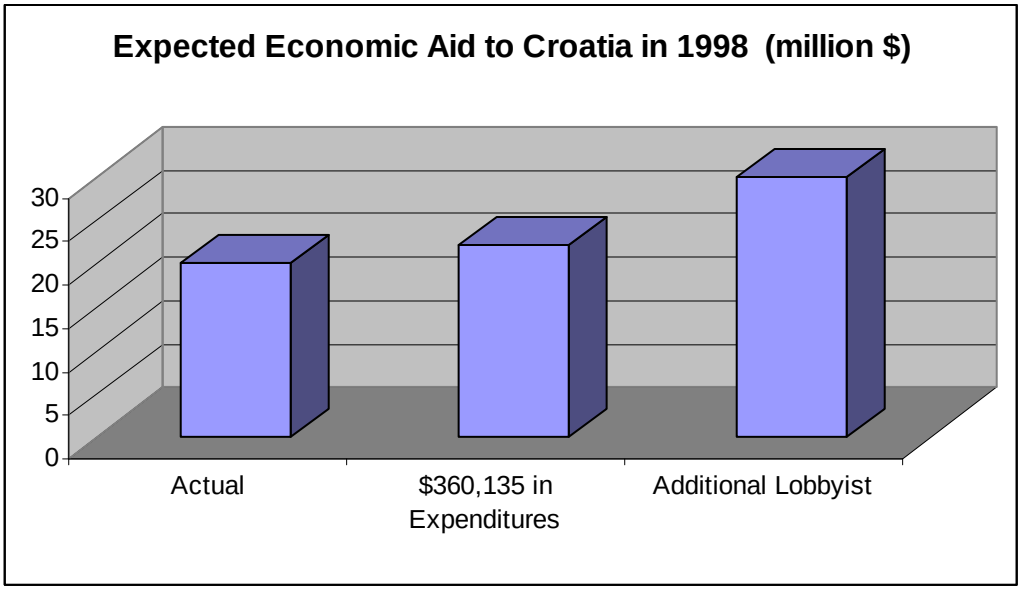
increased India's expected allocation amount by $172.88. If India had spent the average amount of lobbying expenditures amongst those countries lobbying for aid, $360,135,

[50] Though many of the point estimates were very close to their actual values, this was the best predicted case.

their aid allocation would have been expected to increase by $62.259 million. Figure 3 graphically presents these potential impacts of foreign lobbying on India's aid allocation in 2002.

Croatia in 1998 received far less aid than India, but the story is the same. In this year Croatia actually received $20.1 million in economic aid and the model predicted just under $20 million in aid. Unlike India, Croatia did lobby for economic aid in the preceding year. Two separate agents lobbied for aid and spent $224,665.30. Had Croatia utilized an additional agent their expected allocation amount would have increased by nearly $10 million. Furthermore, had they increased lobbying expenditures to the average of $360,135, their expected aid allocation would have increased by $2.07 million or $15.28 per additional dollar spent. Figure 4 graphically presents these potential impacts of foreign lobbying on Croatia's aid allocation in 2002.

Figure 4: Expected Economic Aid to Croatia in 1998



Foreign lobbying does not have a similar impact in the gate-keeping stage however. In equations 2-5 none of the monetary measures of foreign lobbying attains statistical significance in the selection equation. On the other hand, in equation 1 *Econ Lobby* is a statistically significant determinant of a country being selected to receive aid. The magnitude of effect is large, indicating that every additional instance of lobbying for economic aid dramatically increases the probability of a country receiving aid.

All of the control variables in the outcome equation are statistically significant and signed in the expected direction. Countries with higher levels of economic development receive less aid. Non-democracies receive less aid than democracies. Countries experiencing higher levels of internal conflict receive more aid as do countries with large populations. In the selection equation, results for the control variables are mixed. Several variables performed as expected and were statistically significant including the lagged binary indicator of economic aid, *GDP*, and *Foreign Pop*. While others failed to attain statistical significance or attained significance but were signed in the direction opposite to expectations, including *U.N. Votes, FDI, Trade*, and *External Conflict*.[51] In short, the strategic explanations for economic aid allocation perform poorly in the selection equation, though *Regime Type* is a strong predictor in the outcome equation. Whereas the altruistic model of aid allocation finds considerable support here as *GDP*, which along with *Foreign Lobbying* was the only variable to appear in both stages, it is a statistically significant predictor of aid allocations in both stages and in every model. It appears that the U.S. is both more likely to give aid to less

[51] As Appendix B illustrates these results hold regardless of model specification, including even when the variables are moved into the outcome equation.

developed countries and gives more aid to those countries which supports Hypothesis 3. Similarly Model 1 indicates that Foreign Lobbying increases the likelihood of a country both receiving aid and receiving a larger amount of aid.

Conclusion

This chapter has presented evidence supporting Hypothesis 1- that foreign lobbying affects economic aid allocations. As the number of foreign agents lobbying for economic aid to a specific country increases so too does the probability that the country received aid in the following year. Once a country passes through the gate-keeping stage those with more agents lobbying on their behalf are also more likely to receive higher amounts of economic aid in the allocation stage. Similarly, as the actual amount of foreign lobbying expenditures increases so too do economic aid amounts, regardless of whether the aid was from a foreign government or explicitly targeted at U.S. government officials. However, regardless of specification actual foreign lobbying expenditures do not determine whether a country passes through the gate-keeping stage. These results demonstrate that factors beyond altruistic or strategic motives guide aid allocation decisions. Both altruistic and strategic factors were found to influence the aid allocation process in the U.S. The altruistic model, specifically *GDP*, was found to be a strong determinant of aid allocations. Yet, even when accounting for these influences, foreign lobbying exerted considerable sway over U.S. economic aid allocations. As theorized, foreign lobbying is a critical component of the allocation process. It is an important complement, not substitute, to existing theories of economic aid allocations. In a fully specified model including altruistic, strategic, and foreign lobbying indicators all three

factors were shown to influence the aid allocation process. This represents the first large-N multivariate evidence for a third explanation of economic aid allocations - foreign lobbying.

These findings are also a critical step towards unraveling the "black box" of donor country politics. As previously mentioned, prior analyses of foreign aid treat the influence of foreign entities in the donor country as exogenous. In fact, foreign lobbying and foreign interest groups are almost universally ignored. It is assumed that international issues and domestic influences (i.e. ethnic interest groups) are the only influences on decision makers in the aid allocation process. The results presented here illustrate the fallacy of this assumption. The decision makers that determine aid allocations are politicians seeking reelection and bureaucrats seeking assistance with their specific function in the allocation process. Foreign agents are eager to help these decision makers accomplish their objectives and have the resources to do so; but, this "free" assistance is not without consequence. Even if no outright exchange takes place the seeds of reciprocity are planted and foreign agents will rationally only provide support to those with an interest in benefiting their foreign principal. In this way American foreign policy is sacrificed to the whims of foreign entities and the American public becomes at least a little less sovereign.

CHAPTER V

AN EMPIRICAL INVESTIGATION OF FOREIGN LOBBYING AND MILITARY ASSISTANCE

> *"You can get much farther with a kind word and a gun than you can with a kind word alone"*
>
> *-Al Capone*

There are a multitude of reasons for giving military aid to a country. International Relations scholars subscribing to the Realist school contend that military aid goes to countries that share U.S. strategic interests. This includes military allies and countries, such as Israel, which are in close proximity to potential threats to U.S. national interests. The aid can be used for national defense, to quell internal conflict, or, as it was during the Cold War, to combat rival political ideologies. According to Poe and Meernik:

> During the years of the Cold War between the United States and the Soviet Union, both of these countries used foreign aid to address international threats and opportunities by granting assistance to win or maintain allies, to help countries fighting adversaries, and to encourage economic development, and thus, presumably, political stability (1995, 399).

During the Cold War these security concerns were clearly the driving force behind U.S. foreign aid allocations, primarily out of necessity. In a nuclear standoff the risks of actual combat, pitting nuclear adversaries against each other, are immense. Military aid offers a convenient solution, in that U.S. soldiers are not put in harms way and the U.S. is not directly involved in a militarized dispute. After the collapse of the U.S.S.R. and the end of the Cold War the need to allocate military aid primarily for security concerns may be absent. Following the Cold War the U.S. was the only remaining superpower and

thus security concerns could be relaxed, at least comparatively. It is possible, consequently, that other factors began to drive U.S. military aid allocations in the 1990's and specifically during the time period analyzed here, 1997-2001. Or, at least this is the claim that Neo-liberals make.[52]

Neo-liberals have a fundamentally different conception of the goals of U.S. foreign policy than do Realists. They argue for the relevance of issues not directly tied to U.S. security or military concerns, like the promotion of democracy and human rights in determining U.S. foreign policy decisions. Their contention is similar to the altruistic view of economic aid elaborated in Chapters I and III in that the motives for aid giving are not purely self interested. Human rights practices in foreign countries rarely have a direct impact on U.S. national security and the promotion of democracy is meant to increase the freedom and overall well-being of citizens in other countries, not to thwart a rival political ideology that is in fact no longer present. Moreover, the U.S. can actually tarnish its image on the international stage by providing military aid to countries with a track record of human rights violations, especially when that aid is used to commit such atrocities. Domestically, the U.S. government is frowned upon for giving military aid to foreign nations which subsequently use those arms against U.S. troops in battle as they were in Iraq and Afghanistan. This aptly named "boomerang effect" is another explanation of the continued U.S. drive to promote democracies following the Cold War, given the oft cited "Democratic Peace" theory (i.e. Small and Singer 1976) that two

[52] Neo-liberals do argue and provide compelling evidence that factors not directly related to self interested security and economic interests were driving military aid allocations even during the Cold War (e.g. Cingranelli and Pasquarello 1985; Poe 1992; Poe & Meernik 1995).

democracies are, at the very least, extremely unlikely to go to war with one another. U.S. government officials can thus avoid embarrassment by giving military aid to democracies.

In spite of these varied explanations for military aid policy, there is currently no empirical evidence that foreign lobbying has a systematic effect upon the amount of military aid given to a country. This is particularly surprising given the considerable scholarly attention devoted to investigating the so called "Iron Triangle" in defense contracting (i.e. Adams 1981; Briody 2003). Investigations of the relationship between defense contractors, politicians, and bureaucrats provide overwhelming evidence that politicians fall prey to the lobbying efforts of defense contractors and that policy outputs are shaped accordingly. One of the reasons this occurs is because military aid is a low salience issue that the American public generally supports (Kull 2005). The key is that issue saliency is constant regardless of the entity doing the lobbying. Certainly, foreign lobbying attracts more attention given perceived threats to democratic and sovereign governance, but this is a constant that will very likely be mitigated when lobbying low salience issues. The purpose of this analysis is to elaborate a third explanation for the politics of development aid. The theoretical framework discussed in the previous chapter indicates that the level of foreign aid given to a specific country should increase with the level of foreign lobbying done by that country in the U.S. I argue that foreign lobbying efforts translate relatively easily into U.S. military support so long as there are no major U.S. strategic, political, or humanitarian constraints. Thus, I expect foreign

governments to be rewarded for their efforts to "buy" military aid, *in addition* to the influence of strategic, economic, and ideological factors.

To accomplish this task the remainder of the chapter proceeds in three parts. First, I layout the research design used to investigate the relationship between foreign lobbying and military aid allocations. Second, I present and discuss the results of the analysis. Finally, I conclude with a brief recapitulation of the findings and a discussion of the relevance of this analysis to studies of military aid allocations.

Research Design

The first step in conducting this analysis of foreign lobbying and military aid allocations was acquiring the foreign lobbying data. The U.S. is the only country of which I am aware that annually tracks all foreign lobbying, consequently it is the sole aid donor analyzed here. Even though the data are available the process of collecting the figures and organizing them in a data processing framework sufficient for the purposes of the analysis here was a painstaking process. So as to streamline the flow of the manuscript I refer the reader to the Foreign Lobbying Data section in the preceding chapter for a general overview of this data, and to the Technical Appendix for the precise details of the data coding process and descriptive statistics related to the foreign lobbying data. Here I discuss only the key independent variables of interest and their coding. Figure 5 lists the military aid foreign lobbying variables and definitions utilized in the analysis. One of the major advantages of coding the FARA data in the manner I have done here is that I can disentangle foreign lobbying explicitly directed at economic aid from that which is not. This allows a much more direct test of interest group

influence. By differentiating governmental from non-governmental foreign entities I can also investigate the relative effect of different types of foreign principals. Moreover, I can also compare the impact of different lobbying strategies by investigating incidents where foreign agents make direct contact with government officials compared to those who do not. All told, these various coding techniques allow me to evaluate many of the intricacies of the foreign lobbying process and paint a vivid picture of the impact that foreign lobbying has on the economic aid allocation process in the U.S.

Figure 5: Foreign Lobbying for Military Aid Variables and Definitions

Variable	Definition
Mil Lobby	Total number of instances where a foreign agent lobbied for military aid. When the same agent lobbies on behalf of multiple principles each relationship is counted. Similarly, when a foreign principal hires multiple agents to lobby each relationship is counted.
Mil Lobby Money	Total amount of money spent lobbying for military aid.
Mil Lobby Money Govt	Total amount of money spent lobbying for military aid by the foreign government or governmental representatives.
Mil Lobby Money Contact	Total amount of money spent lobbying for military aid where direct contact with U.S. government officials or representatives was made by the foreign agent.
Mil Lobby Money Govt Contact	Total amount of money spent lobbying for military aid by the foreign government or governmental representatives where direct contact with U.S. government officials or representatives was made by the foreign agent.

Realist and Neo-Liberal Explanations of Military Aid Allocations

The military aid literature reveals a number of plausible alternative explanations of military aid allocations beyond foreign lobbying. To control for economic interconnectedness and the potential influence of domestic business and industry interest group I include measures of donor-recipient *Trade*, recipient *FDI*, and *GDP*. To account for other Realist explanations revolving around security concerns I include an indicator of shared *Alliance* with the recipient country, *External Conflict* with the U.S., and *U.N. Votes* correlation. These collectively test Hypothesis 2. To gauge Neo-liberal explanations of military aid flows I include measures of *Regime Type* and *Internal Conflict*, which measures the level of internal violence within a country that may subsequently increase a countries need for military aid,[53] thus providing a test of Hypothesis 3, and *Population*. Additionally I include *Foreign Pop* in the analyses below, which is a measure of the foreign born population in the U.S. from each specific country in question. This tests Hypothesis 4, and serves as a proxy for domestic influences directed towards a specific country, such as those exercised by ethnic groups like AIPAC and CANF.[54] These control variables along with the measures of foreign lobbying predict the dependent variable; the total amount of U.S. economic aid to each country in question. Economic aid is taken from the U.S. Greenbook and is in constant 2006 millions of dollars.

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[53] The argument could certainly be made that this is also a security related concern in that the instability of a country is potentially a threat to the U.S.

[54] Alternative specifications (not shown) substituted *Foreign Pop* with a dummy variable indicating the presence or absence of one or more organized ethnic interest group representing the country in question and the results presented below were not substantively altered

Methodology[55]

Previous literature has attested to the importance of modeling aid allocation decisions as a two-stage process (Blanton 2000, 2005; Cingranelli & Pasquarello 1985; Lai 2003; McGillvray & Oczkowski 1991; Meernik, Krueger & Poe, 1998; Poe & Meernik 1995). The rationale behind utilizing a two-stage model is that there is a preponderance of observations for which no foreign aid allocations are observed (i.e. a country that does not receive foreign aid in a given year). This is problematic because these non-observations can bias estimates for observations where aid is allocated and if these non-observations are not included in the model problems of sample selection bias emerge. According to James Tobin, who initially made this realization:

> Account should be taken of the concentration of observations at the limiting value when estimating statistically the relationship of a limited variable to other variables and in testing hypotheses about the relationship. An explanatory variable in such a relationship may be expected to influence both the probability of limit responses and the size of non-limit responses. If only the probability of limit and non-limit responses, without regard for the value of non-limit responses were to be explained, probit analysis provides a suitable statistical model. But it is inefficient to throw away information on the value of the dependent variable when it is available. If only the value of the variable were to be explained, if there were no concentration of observations at a limit, multiple regression would be an appropriate statistical technique. But when there is such concentration, the assumptions of the multiple regression model are not realized. According to that model, it should be possible to have values of the explanatory variables for which the expected value of the dependent variable is its limiting value; and from this expected value, as from other expected values, it should be possible to have negative as well as positive deviations (1958, 25).

Thus, Tobin advocated for simultaneously modeling both the probability of observing a non-limit response and the actual value of a non-limit response. In the first

[55] The methodology utilized here is nearly identical to that used in the analysis of economic aid in Chapter III.

stage of this model regressors are used to explain a dichotomous dependent variable indicating the presence or absence of a zero value on the otherwise continuous dependent variable. These values need not be zero; however, a limit response may simply have a missing value at the limit. Once this probability is accounted for the second stage analyzes the actual level or value of the dependent variable.

One drawback of Tobin's Tobit model is that it requires the regressors in the selection (first) stage be identical to the regressors in the outcome (second) stage. If the factors that lead a variable to be observed are the same as those factors that determine its value once observed this is not a problem. However, in reality this is probably an exceptional case. Particularly in regards to foreign aid allocations, it is difficult to imagine a set of factors that could adequately predict both the decision to allocate aid to a country and the actual amount to give that country. There are certainly factors that affect one decision and not the other. Fortunately, James Heckman (1976; 1979) devised a much more flexible model which allows for the utilization of different variables in the selection and estimation equations. This aptly named Heckman selection model contains a variety of previous models as special cases including the Tobit model (Heckman 1979, 155). The Heckman selection model has become commonplace in the foreign aid literature, and it utilizes a probit model in the selection stage to provide a selection bias term that is then incorporated into the second stage model to account for sample selection bias. The outcome stage then provides estimates of the regressor's impact on the regressand, which account for the process that generated the observed sample.

While the Heckman selection model overcomes the problem of selection bias inherent in foreign aid allocations, problems inherent to cross-sectional time-series data remain. Autocorrelation and heteroskedasticity plague pooled models such as the one utilized here making estimation problematic. Autocorrelation may lead to false notions of statistical significance if the dependence of cases across time is not accounted for. To overcome this problem I utilize three strategies previously identified in the foreign aid literature as options to overcome problems of autocorrelation. First, when variables exhibit non-stationarity as foreign aid allocations do, in that they tend to increase incrementally over time, it is necessary to make the variables stationary through some type of transformation. Following Lai (2003) I log aid allocations to make the data stationary. This technique has the added benefit of abating the severe skewness present in aid allocations and diminishing the pull of severe outliers. Second, I utilize a lagged version of the dependent variable that is dichotomized to indicate the presence or absence of aid allocations in the previous year. Balla and Reinhardt use this variable as a regressor in the selection stage "to account for the bureaucratic inertia embedded in the allocation process and the lock-in effect associated with multiple-year projects," (2008, 2570). In a footnote the authors note that existing literature omits this variable from estimation equations and that, in their models, fit improves when the variable is included in the selection rather than the regression stage. This is precisely the same result I obtained here; thus, only those models with the lagged dependent variable dummy in the selection equation will be shown. Some analysts investigating foreign aid allocation have utilized a lagged dependent variable in the estimation equation to account for over

time trends in country aid allocations. There is evidence, however, that lagged dependent variables bias coefficient estimates downward and are generally inadvisable even when a dynamic process is expected (Hibbs 1974; Achen 2000).[56] Third, to account for additional yearly trends that remain I utilize yearly dummy variables as suggested by Meernik et al. (1998). As Figure 12 in Appendix A attests, aggregate U.S. aid allocations do appear to trend over time. Thus, even with in-panel controls for autocorrelation there may be yearly effects on aid allocations across all countries in a given year, and the yearly dummy variables account for this.

In addition to accounting for autocorrelation via these three approaches, I also account for two other methodological issues: heteroskedasticity and simultaneity bias. I account for panel induced heteroskedasticity by utilizing robust standard errors clustered on the country, as is the convention in cross-sectional time-series models. There is the possibility that contrary to my expectations in the preceding chapter foreign aid allocations lead to those countries lobbying the U.S. and not the other way around. Likewise, this process may happen simultaneously and causality cannot be inferred. To account for this simultaneity bias I lag all of the independent variables one year. In this setup it would be difficult for even the most astute Devil's advocate to argue that aid allocations in time T determine foreign lobbying in time T-1.[57]

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[56] For a rebuttal to this argument see Keele and Kelly (2006), who argue that the use of lagged dependent variables is appropriate in certain situations.

[57] All analyses were conducted in Stata version 9. Full maximum likelihood is used for all Heckman selection models. To aid convergence of the models I utilized the "difficult" option in Stata which employs a different stepping algorithm in non-concave regions.

Results and Discussion

Table 2 presents the results of my analysis of U.S. military aid allocations and foreign lobbying. The five models in the table correspond to the five variants of the key independent variable, foreign lobbying, as discussed in Figure 5 above. The remaining variables remain constant across all five models. This is because statistical modeling is often much more of an art than a science, and this is especially true regarding selection models. With standard modeling researchers are told to let theory guide model specification. With selection models, however, theory seldom tells us whether variables belong in the selection, outcome, or both stages. For instance, while democracy may be a critical factor in the military aid allocation process it is not immediately clear whether it determines whether a country receives aid or, once a country receives aid, the amount of that aid. In spite of these concerns I have attempted to present the model that best depicts the impact of these independent variables at the various stages of the aid allocation process.[58] Thus, I include the following variables: *Foreign Lobbying, Alliance*, *Regime Type, Internal Conflict, Foreign Pop, FDI, Trade, GDP, External Conflict*, and the previously discussed *Mil Aid (binary)* variable that is given a value of 1 if a country received military aid in the prior year and 0 otherwise. And, in the outcome equation I include: *Foreign Lobbying, Alliance, Regime Type, U.N. Votes, Internal Conflict, Population,* and *Foreign Pop*. The variables appearing in both stages are *Foreign*

[58] Nonetheless, no model is infallible. There is an argument to be made that nearly every independent variable presented here could fit into either or both stages of the model. Thus, I ran a multitude of analyses assigning each of the independent variables to either or both stages. In these supplementary analyses I was unconcerned with the statistical significance or magnitude of the control variables. I was exclusively concerned with checking the robustness of the findings presented here regarding the foreign lobbying variables. Regardless of model specification, the results of these auxiliary analyses were not substantively different from those found in Table 2.

Lobbying, Alliance, Regime Type, Internal Conflict, and *Foreign Pop*. Given its preponderance in this analysis *Foreign Lobbying* is in included in both stages. *Alliances, Regime Type, and Internal Conflict* should lead to both a higher initial likelihood of receiving aid and higher total amount of aid received. Similarly, *Foreign Pop* is expected to increase the likelihood of a country receiving aid and then, given the gravity of military threats compared to economic concerns, *Foreign Pop* should also increase military aid amounts, whereas it was not expected to increase economic aid amounts. Some variables were easily isolated to one stage of the model over the other. For instance, *External Conflict* is clearly a selection variable given that a conflict with the

Table 2: Foreign Lobbying Variables and Military Aid

	1	2	3	4	5
Foreign Lobbying Variable	Econ Lobby	Econ Lobby Money	Econ Lobby Contact	Econ Lobby Govt	Econ Lobby Govt Contact
Foreign Lobbying	0.667***	8.71e-07	8.71e-07	8.53e-07	8.52e-07
	(0.112)	(1.02e-06)	(1.02e-06)	(1.02e-06)	(1.02e-06)
Alliance	-0.0608	-0.0396	-0.0394	-0.0400	-0.0398
	(0.191)	(0.194)	(0.194)	(0.194)	(0.194)
Regime Type	-0.176	-0.302	-0.301	-0.303	-0.302
	(0.209)	(0.213)	(0.213)	(0.213)	(0.213)
U.N. Votes	0.711**	1.016***	1.016***	1.017***	1.018***
	(0.305)	(0.356)	(0.356)	(0.358)	(0.358)
Internal Conflict	0.0879	0.250	0.250	0.251	0.251
	(0.136)	(0.159)	(0.159)	(0.159)	(0.159)
Population	-9.20e-07	-7.69e-07	-7.69e-07	-7.62e-07	-7.62e-07
	(8.93e-07)	(7.72e-07)	(7.72e-07)	(7.73e-07)	(7.72e-07)
Foreign Pop	6.49e-05	0.000107*	0.000107*	0.000109*	0.000109*
	(5.14e-05)	(5.76e-05)	(5.76e-05)	(5.74e-05)	(5.74e-05)

Table 2: Continued

	1	2	3	4	5
Selection Equation					
Foreign Lobbying	0.118	3.34e-08	3.65e-08	2.85e-08	3.19e-08
	(0.0818)	(4.56e-08)	(4.48e-08)	(4.48e-08)	(4.40e-08)
Alliance	-0.104	-0.142	-0.142	-0.141	-0.141
	(0.226)	(0.209)	(0.209)	(0.209)	(0.209)
Regime Type	-0.871***	-0.875***	-0.875***	-0.875***	-0.875***
	(0.233)	(0.223)	(0.223)	(0.222)	(0.222)
Internal Conflict	-0.187	-0.160	-0.160	-0.160	-0.160
	(0.115)	(0.101)	(0.101)	(0.101)	(0.101)
Foreign Pop	0.000439*	0.000399**	0.000399**	0.000397**	0.000397**
	(0.000230)	(0.000192)	(0.000192)	(0.000192)	(0.000191)
FDI	-6.99e-06	-9.90e-06	-9.91e-06	-9.88e-06	-9.88e-06
	(6.86e-06)	(8.72e-06)	(8.72e-06)	(8.69e-06)	(8.69e-06)
Trade	-1.15e-05	-9.34e-06	-9.33e-06	-9.27e-06	-9.26e-06
	(7.65e-06)	(6.35e-06)	(6.35e-06)	(6.32e-06)	(6.32e-06)
GDP	-4.38e-05***	-3.79e-05***	-3.80e-05***	-3.79e-05***	-3.80e-05***
	(1.33e-05)	(1.18e-05)	(1.18e-05)	(1.18e-05)	(1.18e-05)
External Conflict	-0.192	-0.162	-0.161	-0.165	-0.165
	(0.712)	(0.731)	(0.731)	(0.729)	(0.729)
N	779	779	779	779	779
Uncensored	281	281	281	281	281
Log pseudo-likelihood	-1151.464	-1175.169	-1175.168	-1175.258	-1175.258
Wald chi-square	70.8	14.08	14.08	14.07	14.07
Prob > chi-square	0.00	0.2287	0.2288	0.2292	0.2293
WIE chi-square	13.31	10.79	10.79	10.79	10.80
Prob > chi-square	0.00	0.00	0.00	0.00	0.00

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Dependent variable is logged total U.S. military aid in constant 2006 dollars

Outcome stage includes year dummy variables and a military aid t-1 dummy (not shown)

Wald chi-square is the overall model Wald statistic and WIE is the Wald Test of Independent Equations statistic

U.S. should presumably reduce aid to zero and thus have no impact on the outcome stage. Similarly, *Pop* is only in the outcome equation because the U.S. will likely give more aid to larger countries, but is unlikely to give aid to a country purely based upon its size.

Based upon tests of model specification these choices appear statistically justifiable. All five models possess statistically significant Wald chi-square statistics and Wald Test of Independent Equations (WIE) statistics. The Wald test of independent equations tests if rho, the correlation between the error terms in the two equations, is significantly different from 0. In this case I can safely reject the null hypothesis and conclude that the amount of economic aid the U.S. allocates to a country is dependent on the factors leading to its choice to give aid. The Wald chi-square statistic tests to see if the independent variables in the model significantly influence economic aid amounts. In every model this figure is statistically significant, thus indicating that the variables collectively do affect U.S. economic aid amounts. Also note that the number of observations, 779, and the number of uncensored observations, 498, is the same in every model, thus making model comparisons valid. 779 observations over a five year period averages out to nearly 156 observations per year and indicates that very few country/years were dropped from the dataset due to data availability.[59] Note that the number of uncensored observations (498) is considerably lower in these models than it

[59] Given the strong ties between Israel and the U.S., particularly militarily, there is always concern that a potential outlier such as this will drive estimation results. Exclusion of Israel from the models presented below did not substantively alter the results, however, thus only those models with Israel included are reported here.

was in the economic aid models (610). This reflects the fact that the U.S. gives military aid to far fewer countries than it does economic aid.

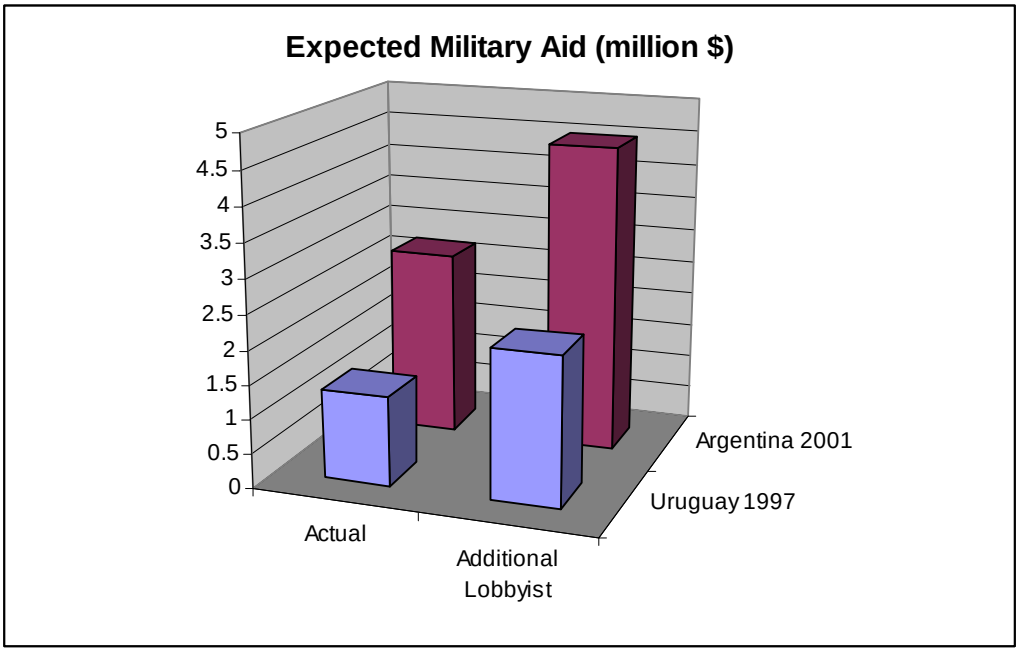
Turning to the results for the key variable of interest, *Foreign Lobbying*, the table reveals that the variable is a statistically significant predictor of military aid amounts in just Model 1, which utilized the *Mil Lobby* measure of foreign lobbying that records the total number of foreign principal-agent relationships that involved lobbying for economic aid. In Models 2-5 none of the foreign lobbying variables estimating actual dollar amounts of lobbying exhibit a statistically significant relationship with military aid allocations. Note though that they are all positively signed as expected and the size of these parameter estimates is larger than their counterparts in the models of economic aid in Chapter III. The difference is that the standard errors in these military aid models are much larger than the standard errors in the economic aid models.

Given that the dependent variable is logged and the independent variables are not, coefficient magnitude is not directly interpretable. In these so called "log-linear" models, where the dependent variable is logged and the independent variables are not, the dependent variable changes by a percentage equal to 100 times the parameter estimate for a one unit increase in the independent variable while all other variables in the model are held constant. Thus, the *Mil Lobby* parameter estimate of .667 indicates that, if everything else is held constant, and just one more foreign agent lobbies for economic aid to a country, that country would on average expect to see economic aid from the U.S. increase by a whopping 66.7%. While this figure is impressive in and of itself, to get an idea of real world impact it is important to consider the scales being dealt

with here. Between 1997 and 2001 amongst countries receiving military aid from the U.S. the average allocation amount exceeded $70 million. This means that, ceteris paribus, just one additional foreign agent lobbying for military aid to a country increases the allocation amount by nearly $47 million on average.

To see how lobbying affects military aid to individual countries consider the case of Uruguay in 1997, which did not lobby for aid, alongside Argentina in 2001, which did lobby for aid. Model 1 in Table 2 came exceptionally close to predicting both of these country's actual allocations of military aid ($1.3 million in Uruguay and $2.7 million in Argentina). Had a foreign entity in Uruguay hired a foreign agent to lobby for military aid the country's expected military aid allocation would have increased to over $2.1

Figure 6: Military Aid to Uruguay and Argentina



million, more than half of Argentina's allocation amount. However, had Argentina employed an additional lobbyist its expected military aid allocation amount would have increased to $4.5 million. Figure 6 graphically presents these potential impacts of foreign lobbying on Argentina and Uruguay's military aid allocations.

With such a large magnitude of effect for the Mil Lobby variable it is surprising that none of the other foreign lobbying variables attain statistical significance. This may be at least partially due to the fact that lobbying expenditures are not necessarily indicative of actual influence. An effective foreign agent may need far less money to achieve the same result as an ineffective foreign agent with immense expenditures. Unfortunately, testing such conjectures is beyond the scope of this analysis. Additionally, the null findings for all of these expenditure variables indicates that, contrary to expectations, foreign governments are no more effective at lobbying for economic aid than are other foreign entities and that there is no statistical support for the argument that foreign agents making contact with U.S. government officials are able to procure more economic aid. In the selection equation none of the foreign lobbying variables attain statistical significance, including Econ Lobby. This perhaps indicates that bureaucratic inertia is too difficult to overcome for foreign agents, and that their sizeable impact is relegated to states already receiving military aid.

In spite of these aggregate results there does appear to be a relationship between the countries selected to receive military aid and lobbying efforts. There were a total of 170 country-years where lobbing for military aid took place. In just two of these instances (less than 2%) did the country stop receiving military aid the following year.

More specifically, of the 18 countries that had been receiving military aid one year and stopped receiving it in the next only two (11%) had been lobbying for military assistance.[60] Conversely, six of the twenty-seven (22.2%) countries receiving military aid for the first time had lobbied for it.[61]

Turning now to the control variables, two variables attain statistical significance in the outcome equations: *U.N. Votes* and *Foreign Pop*. The positive sign on the former indicates that countries voting with the U.S. in the U.N. receive considerably more military aid than countries whose voting patterns are less in alignment with the U.S. Countries appear to be rewarded for their cooperation in the international arena. The positive sign on Foreign Pop indicates that as the number of U.S. residents from the country in question increases so does military aid to that country. In the selection equation several control variables attain statistical significance. The *Regime Type* variable indicates that dictatorships are considerably less likely to receive foreign aid than are democracies. As in the outcome equation, *Foreign Pop* has a positive sign in the selection equation indicating that countries are more likely to receive military aid as their nationality increases in the U.S. population. The positive sign on GDP reveals that the U.S. is less likely to give aid as a country's development increases. Finally, *Mil Aid (binary)* shows that bureaucratic inertia is alive and well as those countries receiving military aid in the previous year are much more likely to receive aid in the current year.

[60] The two countries were Angola in 1998 and Haiti in 2001.
[61] The countries were Afghanistan, Azerbaijan, Republic of the Congo, Eritrea, Haiti, and Nigeria.

Conclusion

This chapter has found evidence that foreign lobbying affects military aid allocations. Once a country passes through the gate-keeping stage those with more agents lobbying on their behalf receive astoundingly higher amounts of military aid in the allocation stage. In short, foreign lobbying has an immense impact on the military aid allocation process. However, the dollar for dollar connection found between foreign lobbying and economic aid in the preceding chapter is simply not apparent here. And, regardless of whether the lobbying was conducted by a foreign government or explicitly targeted at U.S. government officials, there was no statistically significant relationship between lobbying expenditures and military aid. Foreign lobbying also does not appear to determine whether a country passes through the gate-keeping stage. These results demonstrate that factors beyond security, economics, and political ideology guide aid allocation decisions; though many of these factors were also found to influence military aid allocations. Yet, even when accounting for these influences, foreign lobbying exerted considerable sway over U.S. military aid allocations. As theorized, foreign lobbying is a critical component of the allocation process. It is an important complement, not substitute, to existing theories of military aid allocations. In the fully specified equation in Model 1 including strategic military, political, and economic factors, foreign lobbying was still shown to influence the aid allocation process. This provides, at the very least, cursory evidence for a novel explanation of military aid allocations.

Perhaps more importantly, these results raise some serious concerns for U.S. foreign policy formulation. Prior to this analysis the generally accepted opinion was that

foreign policy was guided by some combination of international security concerns, economics, neo-liberal or altruistic goals like reducing human rights violations and promoting peace, and domestic influences from organized interests like business and industry. The analysis presented in this chapter demonstrates that this view is incomplete. U.S. foreign policy is also guided by foreign agents working on behalf of foreign principals whose interests may not align with those of the U.S. Not only is this influence real, it is immense with a $47 million increase in military aid expected per each additional foreign agent lobbying for aid. Immense for both the tax burden it places upon the American public and also the power it has to shape the outcome and consequences of militarized conflict in foreign countries. Above all, the sovereignty of the U.S. decision making process is in doubt. Every single explanation of military aid allocations offered in prior analyses in some way directly represented the interests of at least a portion of the U.S. population; foreign lobbying does not.

CHAPTER VI

AN EMPIRICAL INVESTIGATION OF FOREIGN LOBBYING BY COUNTRY RIVALS

"Rivalry adds so much to the charms of one's conquests"

-Louisa May Alcott

The previous two chapters presented evidence that foreign lobbying has a significant impact on the foreign aid allocation process in the U.S. In these chapters I have assumed that foreign entities lobby for particularized benefits, and thus the lobbying efforts of countries are independent. This assumption, however, is really an empirical question. Are lobbying efforts really independent? More specifically: can countries reduce the amount of U.S. aid allocated to a rival by lobbying against it? In Chapter III I argued that countries can reduce the amount of aid allocated to rivals and this expectation was codified in Hypothesis 4. The purpose of this chapter is to empirically test this hypothesis and provide an empirical answer to these questions.

The work of Kee et al. (2007) provides important insights to test this hypothesis. The U.S. foreign assistance budget, just like U.S. markets, is finite. And, this makes the attainment of U.S. foreign assistance a competitive process, particularly for rival countries that could see their welfare decline if a rival receives additional economic or military assistance from the U.S. If the foreign assistance budget is finite rival countries become very much akin to competing firms—a gain for one is a loss to the other. In this situation the calculus becomes complex as it is difficult to estimate the utility a country receives from depriving a rival of foreign assistance. The direction of this effect is clear,

however. Economic assistance to country X's rival could help spur industry and commerce that might take jobs away from country X. Military assistance to country X's rival could ultimately lead to country X being defeated in an international conflict.

As these examples attest, the stakes here can be immense. In these rival interactions gains need not necessarily be thought of in absolute terms: country gains are relative to the state of the rival. When a rival country is deprived of foreign assistance benefits a country receives positive utility even if they receive no additional foreign assistance. Not surprisingly, depriving another country of foreign assistance is the stated objective of many foreign entities in the FARA data utilized here. Because previous research has found a nearly equivalent impact of foreign and domestic contributions on trade policy, and "a dollar is a dollar", there is no reason to expect that the U.S. government would value contributions from one country over another, ceteris paribus. Thus, I expect that foreign assistance will decline in a country whose rivals are actively lobbying against it.

This represents a key extension of the model developed by Kee et al. (2007), which is noteworthy because it accounts for the fact that foreign lobbying is most rational, and profitable, when its benefits are particularized. Kee et al. as well as all prior analyses of foreign lobbying do not account for the benefits a country can attain by lobbying against another country. In the model developed here it is argued that countries receive positive utility when a rival country is deprived of foreign assistance, but the same basic logic can apply to trade policy and other areas of foreign policy. In the trade

policy models an increase in the tariffs placed on a firms rivals would likely lead to an increase in market share for that firm as the cost of the rival's goods increased.

There is currently no large-N multivariate analysis investigating this issue. The reason for this void in the literature is likely due to limited data availability. Even with lobbying contribution figures by country in hand, it is difficult to claim that those contributions are directed at undermining a country's rivals. Even in the most heated country rivalries it is likely that foreign lobbying is a mix of both self promotion and rival undermining. To untangle this complicated web I rely upon the FARA reports that document the stated objectives of the foreign agents in the U.S. To separate rival lobbying from basic country promotion I code these statements and develop precise figures of rival country lobbying based exclusively upon the activities of the agents doing the actual advocacy. I then use these figures to determine the impact of competitive lobbying on both military and economic aid. The results provide support for Hypothesis 5, particularly in terms of competitive lobbying reducing the amount of military aid to a county's rivals. Given the gravity of military conflict between rival countries, this finding is not surprising.

The remainder of the chapter proceeds in four parts. First, I discuss my basic expectations regarding competitive lobbying and offer a preliminary analysis of competitive lobbying using descriptive statistics. Second, I layout the multivariate research design used to investigate the relationship between competitive lobbying and foreign aid allocations. Then, I present and discuss the results of the analysis. Finally, I conclude with a brief recapitulation of the findings and a discussion of the relevance of

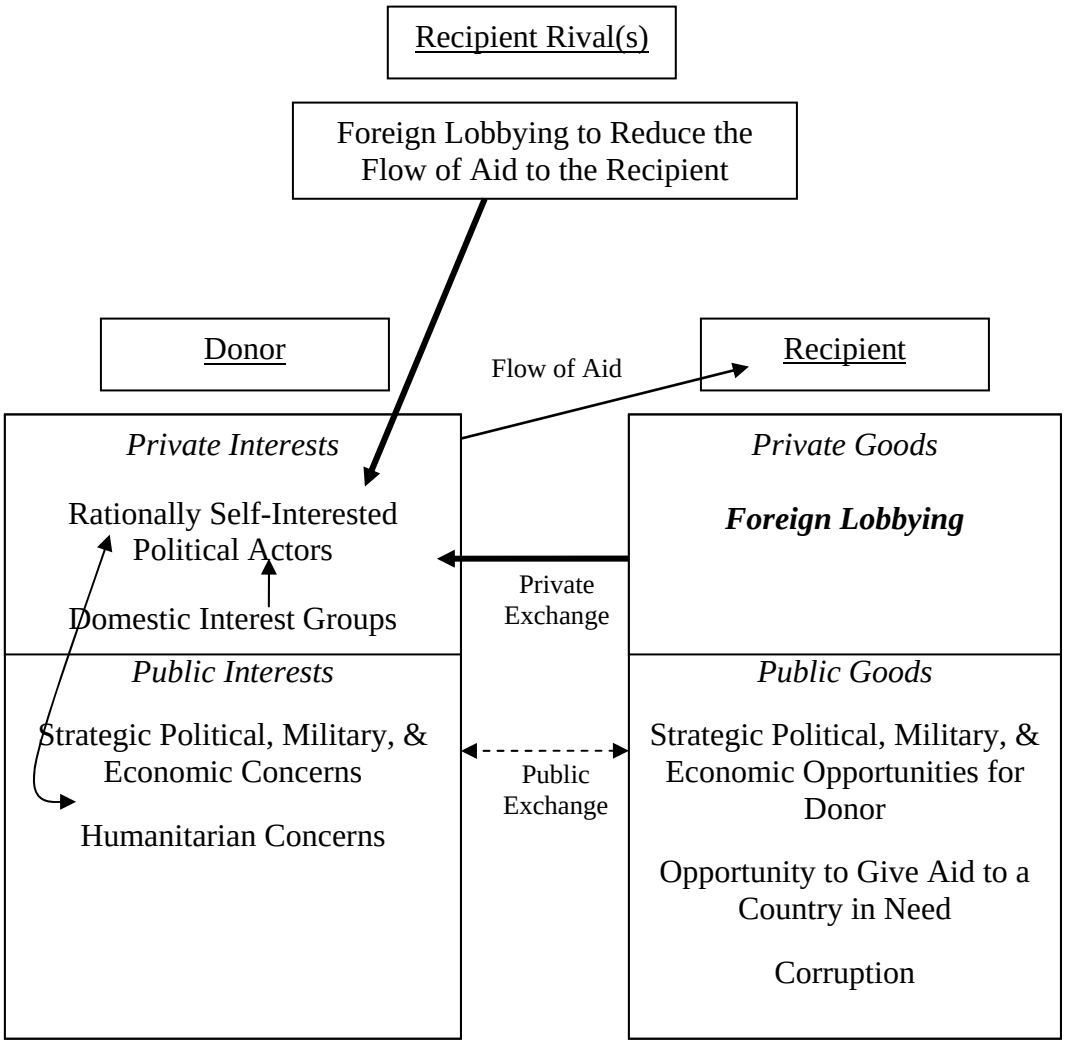
this analysis to studies of foreign lobbying, foreign aid, and international relations more generally.

Competitive Lobbying Expectations and Preliminary Analysis

While the previous two chapters proposed here deal with the fundamental question of whether foreign lobbying impacts foreign policy, this chapter extends the basic model and accounts for the impact that foreign lobbying by one state has on U.S. foreign policy towards another state. As hypothesis 4 states, the expectation is that when lobbying by a country's rivals increases U.S. support for that country will decrease. The rationale is intuitive—foreign governments that are attempting to maximize the utility they receive from U.S. foreign policy should expend resources lobbying to reduce the benefit of U.S. foreign policy to rival countries. In terms of relative gains between rivals, any increase in the aid one receives from the U.S. is a comparative loss to the other.

There is currently some evidence that countries attempt to undermine the relationship rival countries have with the U.S. Anwar and Michaelowa (2006), for example, show that ethnic interest groups engage in competition over foreign aid. Specifically, they empirically demonstrate that ethnic lobbying by India is associated with lower U.S. aid to Pakistan. Mearsheimer and Walt (2006) argue that Israel and the pro-Israel lobby AIPAC played a significant role in the U.S. decision to invade Iraq following the events of September 11th. If this proposition is true and foreign lobbying can lead the U.S. to engage in costly militarized disputes then it is likely that rival lobbying will have a significant impact on economic and military aid.

Figure 7: The Determinants of Aid Allocations with Competitive Lobbying



Based upon these expectations and Hypothesis 5, Figure 1 in Chapter III, which models the aid allocation process as a dyadic relationship, the allocation process is incomplete. The actual foreign aid allocation process is reflected in Figure 7. This figure accounts for the influence of lobbying by a country's rival(s). As the solid diagonal line indicates, this influence is directed at political actors within the donor country and is not

in any way channeled through the recipient country. In this more complete depiction, decision-makers simultaneously consider the influence of both foreign and competitive lobbying when formulating aid policy.

Preliminary Analysis

In this chapter I am concerned with how lobbying by a country's rivals affects foreign assistance allocations to that country. The FARA data provide a unique opportunity to test this argument based exclusively on the foreign agent's description of their activities in the U.S. In the five year period for which the FARA data were collected I found 47 instances of a foreign agent explicitly lobbying against another country, a phenomenon I call competitive lobbying. Table 3 lists the total amounts of competitive lobbying broken down by foreign assistance issue area. The final two columns list the proportion of economic and military aid competitive lobbying as a percentage of total competitive lobbying.

The table reveals two important characteristics of competitive lobbying. First, competitive lobbying constitutes a very small proportion of all foreign lobbying. Foreign agent expenditures from 1997-2001 average more than $500 million per year and even in the peak year for competitive lobbying, 1999, expenditures barely exceeded 1% of all foreign lobbying expenditures in that year. Competitive lobbying is uncommon, to say the least. Moreover, it is dominated by a handful of rivalries like India and Pakistan, and Yemen and Ethiopia. For example, India spent $151,943.50 lobbying against Pakistan, and Pakistan spent $161,426.80 lobbying against India between 1997 and 2001. This concentration of competitive lobbying expenditures in a handful of countries increases

the leverage of this variable on U.S. foreign assistance given to these countries, especially when competitive lobbying expenditures approach or exceed those of the country being lobbied against. Second, competitive lobbying related to military aid is more common than competitive lobbying for economic aid. This presumably reflects the salience of military aid for country rivals and the potential it has to shift the balance of power in favor of the country receiving military aid from the U.S.

Table 3: Total Competitive Lobbying Amounts (in millions)

Year	Total Lobbying	Economic Aid	Military Aid	Economic Aid %	Military Aid%
1997	1.712	0.632	0.660	36.9	38.6
1998	2.954	1.143	0.564	38.7	19.1
1999	7.634	0.000	0.165	0	2.2
2000	1.957	0.008	0.130	.4	6.6
2001	2.672	0.000	1.873	0	70.1

Another unique feature of the FARA data is that it can be used to investigate instances where entities within a foreign country actively lobby against their own government. Revolutionary and anti-government groups actively lobbied the U.S. government during this five year period to encourage the U.S. to either promote their organization or reduce the level of U.S. involvement with the groups' home country. These groups include organizations like the Kazakhstan 21st Century Foundation, the National Council of Resistance of Iran, and the Ethiopian People's Revolutionary Party. Table 4 lists the countries with the highest levels of anti-government lobbying from 1997-2001.

The leader in anti-government lobbying is Angola, and all of the $662,084 of anti government lobbying expenditures was incurred in 1997. Upon further inspection this provides a fascinating example of the power of revolutionary group lobbying in the U.S. As previously mentioned, Angola was one of only two countries that had been receiving

Table 4: Total Anti-Government Lobbying (in thousands)

Angola	662.084
Russia	599.732
Kazakhstan	394.075
Ethiopia	249.147
Iran	156.000

military aid and lobbied the U.S. for military aid only subsequently to have their aid package reduced to nothing in the following year. In Angola in 1997 the second largest political party, the National Union for the Total Independence of Angola (UNITA) or the Center for Democracy in Angola (CEDA), lobbied extensively against its own government, the Popular Movement for the Liberation of Angola, which was lobbying the U.S. for military aid. The two were in the midst of a civil war that had been ongoing for more than two decades. This anti-government group spent $662,083 lobbying against the Angolan government compared to the Angolan governments $380,478 in lobbying expenditures. The following year the U.S. government stopped giving military aid to Angola and didn't resume giving the country military aid until 2003, after the civil war ended. Although this is just one case, and consequently may not be generalizable, it

provides at least preliminary evidence of the impact competitive lobbying can have on aid allocations.

Research Design

The first step in conducting this analysis of competitive lobbying and foreign aid allocations was acquiring the competitive lobbying data.[62] As previously mentioned, the U.S. is the only country of which I am aware that annually tracks all foreign lobbying. Consequently it is the sole aid donor analyzed here. Even though the data are available

Figure 8: Competitive Lobbying Variables and Definitions

Variable	Definition
Competitive Economic Lobby	Total number of instances where a foreign agent lobbied against another country receiving economic aid. When the same agent lobbies on behalf of multiple principles each relationship is counted. Similarly, when a foreign principal hires multiple agents to lobby each relationship is counted.
Competitive Economic Lobby Money	Total amount of money spent lobbying against a country receiving economic aid.
Competitive Military Lobby	Total number of instances where a foreign agent lobbied against another country receiving military aid. When the same agent lobbies on behalf of multiple principles each relationship is counted. Similarly, when a foreign principal hires multiple agents to lobby each relationship is counted.
Competitive Military Lobby Money	Total amount of money spent lobbying against a country receiving military aid.
Competitive Lobby Dummy	Dummy variable that takes on a value of 1 if a country is lobbied against in a given year; 0 otherwise.

[62] This is a brief discussion of the competitive lobbying data; please refer to the Technical Appendix and Chapter IV for a complete explanation of the foreign lobbying data.

the process of collecting the figures and organizing them in a data processing framework sufficient for the purposes of the analysis here was a painstaking process. So as to streamline the flow of the manuscript I refer the reader to the Technical Appendix for the precise details of the competitive lobbying coding process. Here I discuss only the key independent variables of interest and their coding. Figure 8 lists the competitive lobbying variables and definitions utilized in the analysis. One of the major advantages of coding the FARA data in the manner I have done here is that I can disentangle competitive lobbying from other aspects of foreign lobbying.

The first step in this process was to determine when a country was being lobbied against. The indicator of this is the *Competitive Lobby Dummy* variable, which is a dichotomous variable indicating whether or not a country was lobbied against in a given year. The next step was to decipher the intentions of these competitive lobbying efforts. *Competitive Military Lobby* and *Competitive Economic Lobby* record the total number of incidents of competitive lobbying related to military and economic aid in a given year, respectively. Finally, *Competitive Economic Lobby Money* and *Competitive Military Lobby Money* represent the total lobbying expenditures directed towards reducing the amount of each specific type of aid given to the country in question in a given year. All told, these various coding techniques allow me to evaluate many of the intricacies of the foreign lobbying process and paint a vivid picture of the impact that foreign lobbying has on the economic aid allocation process in the U.S.

To provide the most stringent test of Hypothesis 5, I analyze competitive lobbying as a determinant of both military and economic aid allocations. I utilize the

same models of economic and military aid employed in the previous two chapters. These full models account for all of the plausible alternative explanations of aid allocations mentioned previously, including political, military, economic, altruistic, and foreign lobbying. Given the aforementioned argument that the influence of foreign lobbying can be mollified by competitive lobbying from a country's rival(s), it is critical to include measures of foreign lobbying in the models presented here. This allows me to gauge the relative impact of each factor and determine if the U.S. responds to competitive lobbying in the same manner as it does foreign lobbying.

The models utilized here are identical to the models of economic and military aid presented in Chapters IV and V, respectively, with just two exceptions. First, they include measures of competitive lobbying. Second, I do not report models investigating the impact of lobbying by foreign governments compared to non-governmental entities, nor do I gauge the impact of lobbying on U.S. officials compared to non-governmental entities. Given the small number of competitive lobbying cases there is simply not enough variation within these variables to make separate analyses meaningful. The models presented below are otherwise identical to the models seen in previous chapters; thus, for the sake of parsimony I do not reiterate the details of these models or their methodology. For a review of these models I refer the reader to the research design sections in Chapters IV and V.

Results and Discussion

U.S. Economic Aid Allocations and Competitive Lobbying

Table 5 presents the results of my analysis of U.S. military aid allocations and foreign lobbying. The three models in the table correspond to the three variants of the key independent variable, *Competitive Lobbying*, as discussed in Figure 8 above. The remaining variables remain constant across all three models, except for *Foreign Lobbying*, which mirrors the coding of *Competitive Lobbying* in Models 1 and 2 and is absent in Model 3. The rationale for the inclusion of control variables in these models is fully elaborated in Chapter IV, so I will not reiterate the justifications for the included

Table 5: Competitive Lobbying and Economic Aid

	1	2	3
Foreign Lobbying Variable	Competitive Economic Lobby	Competitive Economic Lobby Money	Competitive Lobby Only
	Outcome Equation		
Foreign Lobbying	0.481***	7.65e-07*	-
	(0.0854)	(3.98e-07)	
Competitive Lobbying	0.814	0.000124***	0.792
	(2.396)	(4.59e-06)	(0.539)
GDP	-0.000164***	-0.000164***	-0.000162***
	(2.33e-05)	(2.36e-05)	(2.36e-05)
Regime Type	-0.564***	-0.598***	-0.635***
	(0.148)	(0.147)	(0.148)
Internal Conflict	0.411***	0.434***	0.412***
	(0.108)	(0.109)	(0.111)
Population	9.17e-07***	9.07e-07***	7.28e-07*
	(3.32e-07)	(3.49e-07)	(4.01e-07)

Table 5: Continued

	1	2	3
Foreign Lobbying Variable	Competitive Economic Lobby	Competitive Economic Lobby Money	Competitive Lobby Only
	Selection Equation		
Foreign Lobbying	0.286***	5.57e-08	-
	(0.105)	(7.53e-08)	
Competitive Lobbying	-0.762**	-6.03e-06***	0.00890
	(0.344)	(1.62e-06)	(0.281)
GDP	-3.61e-05***	-3.34e-05***	-3.26e-05***
	(1.12e-05)	(1.14e-05)	(1.14e-05)
Foreign Pop	0.00151*	0.00148*	0.00150*
	(0.000802)	(0.000782)	(0.000786)
U.N. Votes	-0.225	-0.228	-0.214
	(0.173)	(0.176)	(0.174)
FDI	-7.99e-06	-8.16e-06	-8.30e-06
	(6.01e-06)	(5.93e-06)	(6.05e-06)
Trade	-3.94e-06**	-3.36e-06**	-3.42e-06**
	(1.75e-06)	(1.67e-06)	(1.67e-06)
External Conflict	-0.0431	-0.0745	-0.000770
	(0.371)	(0.340)	(0.352)
Econ Aid (binary)	2.561***	2.620***	2.634***
	(0.156)	(0.158)	(0.158)
Observations	800	800	800
Uncensored	610	610	610
Log pseudo-likelihood	-1347.974	-1358.088	-1364.605
Wald chi-square	184.37	164.79	153.07
Prob > chi-square	.00	.00	.00
WIE chi-square	8.14	9.19	10.53
Prob > chi-square	.00	.00	.00

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Dependent variable is logged total U.S. economic aid in constant 2006 dollars.

Outcome stage includes year dummy variables (not shown)

Wald chi-square = model Wald stat.; WIE = Wald Test of Independent Equations stat.

variables or their placement in the model here. Just as in Chapter IV, I have attempted to present the model that best depicts the impact of these independent variables at the various stages of the aid allocation process.[63]

Based upon tests of model specification, these choices appear statistically justifiable. All three models possess statistically significant Wald chi-square statistics and Wald Test of Independent Equations (WIE) statistics. The Wald test of independent equations tests if rho, the correlation between the error terms in the two equations, is significantly different from 0. In this case I can safely reject the null hypothesis and conclude that the amount of economic aid the U.S. allocates to a country is dependent on the factors leading to its choice to give aid. The Wald chi-square statistic tests to see if the independent variables in the model significantly influence economic aid amounts. In every model this figure is statistically significant, thus indicating that the variables collectively do affect U.S. economic aid amounts. Also note that the number of observations, 800, and the number of uncensored observations, 610, is the same in every model, thus making model comparisons valid. 800 observations over a five year period averages out to 160 observations per year and indicates that very few country/years were dropped from the dataset due to data availability.[64]

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[63] I am aware here, just as before, that no model is infallible. There is an argument to be made that nearly every independent variable presented here could fit into either or both stages of the model. Thus, I ran a multitude of analyses assigning each of the independent variables to either or both stages. In these supplementary analyses I was unconcerned with the statistical significance or magnitude of the control variables. I was exclusively concerned with checking the robustness of the findings presented here regarding the foreign lobbying and competitive lobbying variables. Regardless of model specification, the results of these auxiliary analyses were not substantively different from those found in Table 5.

[64] Given the strong ties between Israel and the U.S., particularly militarily, there is always concern that a potential outlier such as this will drive estimation results. Exclusion of Israel from the models presented below did not substantively alter the results, however. Thus only those models with Israel included are reported here.

Turning to the results for the key variable of interest, *Competitive Lobbying*, the table reveals that it is negative and statistically significant in the selection equations of Models 1 and 2. The negative sign indicates that as the number of foreign agents lobbying against a country receiving economic aid increases (Model 1), and as the total dollar amount spent by those agents increases (Model 2), the likelihood that the country in question will receive aid decreases. *Competitive lobbying* does not fair so well in Model 3 or in the outcome equations of the models. The competitive lobbying dummy variable used in Model 3 fails to attain statistical significance in either the outcome or selection equations and it is positively signed. In the outcome equations of Models 1 and 2 *Competitive Lobbying* is positively signed, indicating that lobbying by a country's rivals actually increases the amount of economic aid that country receives. This effect, however, only takes place after a country makes it through the selection stage where lobbying by a country's rivals reduces the probability of receiving aid. Lobbying by a country's rivals thus appears to be most effective when it is directed at blocking all economic aid, and once a country passes through this gatekeeping stage, it appears that rival country lobbying actually increases aid amounts. This could possibly indicate situations where the forces propelling a country to receive aid are so immense that rival lobbying efforts simply draw more attention to an already favored country and consequently the rival lobbying efforts backfire.

The purpose of these models is to investigate the relationship between competitive lobbying and economic aid. However, they also provide corroborating evidence of the relationship between foreign lobbying and economic aid found in

Chapter IV. In Models 1 and 2 both of the *Foreign Lobbying* variables are statistically significant and the parameter estimates are nearly identical to their counterparts in Chapter IV.

As previously mentioned, given that the dependent variable is logged and the independent variables are not coefficient magnitude is not directly interpretable. In these so called "log-linear" models, where the dependent variable is logged and the independent variables are not, the dependent variable changes by a percentage equal to 100 times the parameter estimate for a one unit increase in the independent variable while all other variables in the model are held constant. Thus, the *Foreign Lobbying* parameter estimate of .481 in Model 1 indicates that, if everything else is held constant, and just one more foreign agent lobbies for economic aid to a country, that country would on average expect to see economic aid from the U.S. increase by 48.9%.

For the *Econ Lobby Money* variable used in Model 2 every additional dollar expended on economic aid lobbying increases a country's expected allocation amount by .0000765%. While this may seem like a miniscule magnitude of effect it is important to consider the scales being dealt with here. Between 1997 and 2001 amongst countries receiving economic aid from the U.S. the average allocation amount exceeded $65 million. This means that on average every dollar increase in lobbying expenditures leads to a $49.725 increase in economic aid. From a mathematical perspective this is a large magnitude of effect, and in real-world financial terms it is an immense return on investment.

All of the control variables in the outcome equation are statistically significant and signed in the expected direction. Countries with higher levels of economic development receive less aid. Non-democracies receive less aid than democracies. Countries experiencing higher levels of internal conflict receive more aid as do countries with large populations. In the selection equation, results for the control variables are mixed. Several variables performed as expected and were statistically significant including the lagged binary indicator of economic aid, *GDP*, *Foreign Pop. Trade* also attained statistical significance, but its negative sign in all three models indicates that countries enjoying high volumes of trade with the U.S. are actually less likely to receive economic aid.[65] All the other control variables failed to attain statistical significance. In short, the strategic explanations for economic aid allocation perform poorly in the selection equation, though *Regime Type* is a strong predictor in the outcome equation. The altruistic model of aid allocation, on the other hand, finds considerable support here. *GDP* is a statistically significance predictor of aid allocations in both stages and in every model. It appears that the U.S. is both more likely to give aid to less developed countries and also gives more aid to those countries.

U.S. Military Aid Allocations and Competitive Lobbying

Table 6 presents the results of my analysis of U.S. military aid allocations and foreign lobbying. The three models in the table correspond to the three variants of the key independent variable, *Competitive Lobbying*, as discussed in Figure 8 above. The remaining variables remain constant across all three models, except for *Foreign*

[65] Auxiliary analyses (not shown) confirmed that these results hold regardless of model specification, even when the variables are moved into the outcome equation.

Lobbying, which mirrors the coding of *Competitive Lobbying* in Models 1 and 2 and is absent in Model 3. The rationale for this model specification is fully elaborated in Chapter V, so I will not reiterate the justifications for the included variables or their placement in the model here. As in Chapter V, I have attempted to present the model that best depicts the impact of these independent variables at the various stages of the aid allocation process.

Table 6: Competitive Lobbying and Military Aid

	1	2	3
Foreign Lobbying Variable	Competitive Military Lobby	Competitive Military Lobby Money	Competitive Lobby Only
	Outcome Equation		
Foreign Lobbying	0.667***	8.73e-07	-
	(0.112)	(1.02e-06)	
Competitive Lobbying	0.709	-4.64e-07*	0.753
	(0.777)	(2.78e-07)	(0.618)
Alliance	-0.0562	-0.0401	0.000283
	(0.191)	(0.194)	(0.187)
Regime Type	-0.189	-0.297	-0.326
	(0.208)	(0.214)	(0.212)
U.N. Votes	0.711**	1.012***	1.055***
	(0.306)	(0.357)	(0.364)
Internal Conflict	0.0795	0.250	0.271*
	(0.135)	(0.159)	(0.160)
Population	-1.24e-06	-7.50e-07	-9.74e-07
	(9.17e-07)	(7.69e-07)	(7.41e-07)
Foreign Pop	7.14e-05	0.000106*	0.000110*
	(5.15e-05)	(5.77e-05)	(5.84e-05)

Table 6: Continued

	1	2	3
Foreign Lobbying Variable	Competitive Military Lobby	Competitive Military Lobby Money	Competitive Lobby Only
	Selection Equation		
Foreign Lobbying	0.106	3.38e-08	-
	(0.0847)	(4.56e-08)	
Competitive Lobbying	-0.752*	-4.09e-07	-0.927*
	(0.451)	(4.54e-07)	(0.542)
Alliance	-0.179	-0.144	-0.202
	(0.218)	(0.210)	(0.201)
Regime Type	-0.940***	-0.876***	-0.921***
	(0.229)	(0.223)	(0.218)
Internal Conflict	-0.147	-0.160	-0.123
	(0.119)	(0.101)	(0.103)
Foreign Pop	0.000330**	0.000396**	0.000324**
	(0.000158)	(0.000191)	(0.000153)
FDI	-5.75e-06	-9.82e-06	-8.25e-06
	(5.08e-06)	(8.70e-06)	(7.35e-06)
Trade	-8.19e-06	-9.29e-06	-6.95e-06
	(5.28e-06)	(6.32e-06)	(5.06e-06)
GDP	-4.74e-05***	-3.81e-05***	-4.10e-05***
	(1.36e-05)	(1.18e-05)	(1.18e-05)
External Conflict	-0.0448	-0.156	0.0225
	(0.624)	(0.729)	(0.599)
Observations	779	779	779
Uncensored	498	498	498
Log pseudo-likelihood	-1148.609	-1175	-1174.25
Wald chi-square	72.3	22.77	14.55
Prob > chi-square	.00	.0298	.2042
WIE chi-square	12.38	10.85	11.66
Prob > chi-square	.00	.00	.00

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Dependent variable is logged total U.S. military aid in constant 2006 dollars.

Outcome stage includes year dummy variables & binary military aid in t-1 (not shown)

Wald chi-square = model Wald stat.; WIE = Wald Test of Independent Equations stat.

Just as with the models of economic aid allocations, these choices appear statistically justifiable. All three models possess statistically significant WIE statistics. I can thus safely reject the null hypothesis and conclude that the amount of military aid the U.S. allocates to a country is dependent on the factors leading to its choice to give aid. The Wald chi-square statistic is statistically significant in every Model save Model 3. This is actually not surprising considering that this model does not include a measure of *Foreign Lobbying*, which, as has been repeatedly shown above, is a vital component of the aid allocation process. Also note that the number of observations, 779, and the number of uncensored observations, 498, is the same in every model, thus making model comparisons valid. 779 observations over a five year period averages out to nearly 156 observations per year and indicates that very few country/years were dropped from the dataset due to data availability.[66] Note that the number of uncensored observations (498) is considerably lower in these models than it was in the economic aid models (610). This reflects the fact that the U.S. gives military aid to far fewer countries than it does economic aid.

Turning to the results for the key variable of interest, *Competitive Lobbying*, the table reveals that the variable is a statistically significant predictor of military aid amounts in the selection equations of Models 1 and 3. The negative sign indicates that as the number of foreign agents lobbying against a country receiving military aid increases (Model 1), and, more generally, if any agent lobbies against the country in question

[66] Given the strong ties between Israel and the U.S., particularly militarily, there is always concern that a potential outlier such as this will drive estimation results. Exclusion of Israel from the models presented below did not substantively alter the results, however, thus only those models with Israel included are reported here.

(Model 3), the likelihood that the country will receive aid decreases. In the outcome equations *Competitive lobbying* only attains statistical significance in Model 2. In this model, which measures the monetary expenditures of rival country lobbyists directed at reducing military aid allocations, *Competitive Lobbying* has a parameter estimate of .000000464. Given the nature of this log-linear model and the metrics of these variables this parameter estimate indicates that a $1 increase in lobbying expenditures directed at reducing a rival's military aid allocation amount from the U.S. will actually reduce this amount by $32.48, all else equal.[67]

This result for the *Competitive Military Lobby Money* variable is particularly interesting because the *Foreign Lobbying* variable failed to attain statistical significance in this model and no monetary estimate of foreign lobbying attained statistical significance in any of the models of military aid allocations presented in Chapter V. This finding, thus, provides at least cursory evidence that lobbyist expenditures do in fact influence military aid allocations.

Turning now to the control variables, two variables attain statistical significance in the outcome equations: *U.N. Votes*, *Foreign Pop* (Models 2 and 3), and *Internal Conflict*(Model 3 only). The positive sign on *U.N. Votes* indicates that countries voting with the U.S. in the U.N. receive considerably more military aid than countries whose voting patterns are less in alignment with the U.S. Countries appear to be rewarded for their cooperation in the international arena. The positive sign on *Foreign Pop* indicates

[67] As previously mentioned, this is due to that fact that in log-linear models the dependent variable changes by a percentage equal to 100 times the parameter estimate for a one unit increase in the independent variable while all other variables in the model are held constant, and the average military aid allocation amount over the period of analyses investigated here is $70 million.

that as the number of U.S. residents from the country in question increases so too does military aid to that country. The positive sign on *Internal Conflict* indicates a rise in military aid when countries are experiencing heightened domestic unrest.

In the selection equation several control variables attain statistical significance in all three models. The *Regime Type* parameter estimate indicates that dictatorships are considerably less likely to receive foreign aid than are democracies. As in the outcome equation, *Foreign Pop* has a positive sign in the selection equation indicating that countries are more likely to receive military aid as their nationality increases in the U.S. population. The positive sign on *GDP* reveals that the U.S. is less likely to give aid as a country's development increases. Finally, *Mil Aid (binary)* shows that bureaucratic inertia is alive and well as those countries receiving military aid in the previous year are much more likely to receive aid in the current year. All other control variables failed to attain statistical significance in the outcome equations.

Conclusion

In this chapter I have presented evidence that lobbying by country rivals is a key component of the U.S. foreign aid allocation process. Support for Hypothesis 5 was found in equations investigating both U.S. economic and military aid allocations, and the more descriptive cases discussed in the preliminary analyses. In the models of economic aid allocations competitive lobbying was found to have a significant impact on the U.S. decision to allocate aid to a given country but not on the decision of how much aid to allocate. In the models of military aid allocations the relationship was even stronger. Competitive lobbying reduces both the initial decision by the U.S. to allocate military

aid to a country, and the amount of military aid given to countries that pass through the gatekeeping stage. Overall, these findings provide strong evidence that lobbying by country rivals is an important component of the foreign aid allocation process.

The ramifications of this analysis for the study of foreign lobbying and foreign aid are relatively straightforward. This is the first analysis to show that foreign lobbying can be used for both self promotion and to combat the advances of one's rivals. For studies of foreign lobbying this is an important advancement and represents an opportunity for analysts of foreign lobbying and trade policy. Like foreign aid, is trade policy also amenable to influence by the lobbying efforts of country rivals? For instance, can a country like India effectively lobby to reduce trade between the U.S. and Pakistan? Analyses of this topic would help to increase general knowledge of trade policy formation and presumably attest to the generalizability of the findings presented in this chapter.

The foreign aid literature can also benefit immensely from the findings reported here. Nearly all extant analyses of foreign aid allocations do not model the competitive nature of the aid allocation process, and, to my knowledge, this is the only large-N multivariate analyses of competitive lobbying and foreign aid allocations. While expanding upon this analysis to include donors other than the U.S. may be difficult given the limited availability of foreign lobbying data, further analyses of competition within the foreign aid allocation process are needed and not completely untenable. For example, case studies of foreign lobbying efforts in other countries might be an initial step towards gauging the extent of competitive lobbying for aid outside the U.S.

CHAPTER VII

CONCLUSIONS

"A conclusion is the place where you got tired of thinking,"

- Arthur Bloch

I began this project with a simple question: can foreign entities buy U.S. foreign policy? To be honest, this question is far from novel. Activists, pundits, politicians, and the media writ large routinely attest to the influence of foreign entities on U.S. governmental affairs. Yet, in spite of its alleged import in the formation of U.S. foreign policy, scholarly attention to the issue has been negligible at best. The novelty of this dissertation then is not this question, but instead that I attempt to provide a scientific answer to this question. The answer focuses on one of the principal components of foreign policy—foreign aid allocations. In Chapter I I discuss prior research on the determinants of foreign aid allocations and argue that foreign lobbying may be a vital alternative explanation. To explore this possibility more fully, in Chapter II I discuss prior scholarship investigating interest group influence, specifically research investigating the influence of foreign lobbying on trade policy.

Based upon this understanding of international interest group influence and the foreign aid allocation literature, I derive a theory of foreign lobbying and U.S. foreign aid allocations in Chapter III. This theory begins with the Protection for Sale foundation as originally developed by Grossman and Helpman (1994). It also incorporates the key foreign lobbying extension as laid out by Gawande et al. (2006) and is ultimately a variant of the theoretical framework developed by Kee et al. (2007) where foreign

countries lobby for particularized benefits. However, I make some key modifications and extensions to account for the intricacies of foreign assistance. In my model, each country lobbies for economic or military aid instead of particular sectors lobbying for trade protection as in the original Grossman and Helpman model. I assume that countries lobby for economic and military aid for their country, rather than for general increases to overall aid flows from the U.S. I also maintain the standard assumption that politicians attempt to maximize a weighted sum of private and public goods. In the realm of foreign assistance, however, private goods are very different from the social welfare that results from trade policy. Here private goods are the general promotion of U.S. strategic military and economic interests abroad, along with the purely humanitarian benefits received by helping those in need, minus the costs of foreign assistance.

This simple theory allows me to explain U.S. foreign policy decisions that might otherwise seem counterintuitive (i.e. why the U.S. gives aid to countries that offer little in the way of strategic or humanitarian benefits), while also providing an additional realm for testing the basic concept of interest group influence. I follow the basic protection for sale theoretical framework and modifications thereof so that this analysis can contribute to a common thread of understanding and not become isolated as are so many studies of interest group influence. Another benefit to this theoretical approach is that I account for lobbying efforts on multiple levels. Foreign lobbying is compared to domestic influences and rival country lobbying, providing a more nuanced theoretical picture and empirical explanation than has been offered in prior scholarship. The vast majority of studies investigating interest group influence focus on domestic groups, a

small number focus on foreign lobbying, and a much smaller number focus on rival country lobbying; no prior analysis has simultaneously analyzed all three.

The empirical analyses testing this theory begin in Chapter IV, where I present evidence that foreign lobbying affects U.S. economic aid allocations. As the number of foreign agents lobbying for economic aid to a specific country increases so too does the probability that the country received aid in the following year. Once a country passes through the gate-keeping stage those with more agents lobbying on their behalf are also more likely to receive higher amounts of economic aid in the allocation stage. Similarly, as the actual amount of foreign lobbying expenditures increase so too do economic aid amounts, regardless of whether the aid is from a foreign government or explicitly targeted at U.S. government officials. Regardless of specification, however, actual foreign lobbying expenditures do not determine whether a country passes through the gate-keeping stage.

These results demonstrate that factors beyond altruistic or strategic motives guide aid allocation decisions. Both altruistic and strategic factors were found to influence the aid allocation process in the U.S. The altruistic model, specifically *GDP*, was found to be a strong determinant of aid allocations. Yet, even when accounting for these influences foreign lobbying exerts considerable sway over U.S. economic aid allocations. It is an important complement, not substitute, to existing theories of economic aid allocations. In a fully specified model including altruistic, strategic, and foreign lobbying indicators, all three factors were shown to influence the aid allocation process.

Chapter V provides empirical evidence that foreign lobbying affects U.S. military aid allocations. Once a country passes through the gate-keeping stage those with more agents lobbying on their behalf receive markedly higher amounts of military aid in the allocation stage. These results demonstrate that factors beyond security, economics, and political ideology guide military aid allocation decisions; though many of these factors were also found to be influential. The key is that even when accounting for these influences, foreign lobbying is a strong predictor of U.S. military aid allocations. This provides, at the very least, cursory evidence for a new explanation of military aid allocations.

Chapter VI extends the analyses in Chapters IV and V to account for the influence of foreign lobbying directed at a country's rival(s). I find evidence that lobbying by country rivals is a key component of both U.S. economic and military aid allocations. In the models of economic aid allocations competitive lobbying is found to have a significant impact on the U.S. decision to allocate aid to a given country, but not on the decision of how much aid to allocate. In the models of military aid allocations the relationship is even stronger. Competitive lobbying reduces both the initial decision by the U.S. to allocate military aid to a country, and the amount of military aid given to countries that pass through the gatekeeping stage. Overall, these findings provide strong evidence that lobbying by country rivals is an important component of the foreign aid allocation process.

Empirical Implications and Future Research

The theory and analyses presented here have implications for studies of foreign aid, foreign lobbying, interest groups, and foreign policy. The ramifications of this analysis for the study of foreign aid are relatively straightforward. To my knowledge, this is the first large-N multivariate analysis of foreign aid allocations that accounts for the influence of foreign lobbying. While accounting for a single additional explanatory variable to increase knowledge of any topic is a worthwhile enterprise, the added benefit of accounting for foreign lobbying is that it represents a fundamentally different type of influence on the aid allocation process. As discussed in Chapter I and visually depicted in Figure 1, prior analyses of foreign aid treat the influence of foreign entities in the donor country as exogenous. In fact, foreign lobbying and foreign interest groups are almost universally ignored. It is assumed that international issues and domestic influences, like ethnic interest groups, are the only influences on decision makers in the aid allocation process. International signals are sent and received by both countries, donor countries can evaluate domestic processes in recipient countries, and domestic factors influence donor countries, but there is no explanation for the impact of recipient countries on domestic politics. Thus, foreign lobbying—an international influence directed at actors in the donor country—represents an entirely new strand of influence on the aid allocation process. The decision makers that determine aid allocations are politicians seeking reelection and bureaucrats seeking assistance with their specific function in the allocation process. Much like domestic interests and lobbyists, foreign

agents are eager to help these decision makers accomplish their objectives and have the resources to do so.

It is clear that future analyses of foreign aid allocations should account for the influence of foreign lobbying, but to further increase understanding of the aid allocation process analyses should consider other international influences on domestic political processes and how they influence the aid allocation process. This was my intent in Chapter VI where I present the first large-N multivariate analysis of competitive lobbying and foreign aid allocations. Expanding upon this analysis to include donors other than the U.S. may be difficult given the limited availability of foreign lobbying data. Nonetheless, further analyses of competition within the foreign aid allocation process are needed and not completely untenable. For example, case studies of foreign lobbying efforts in other countries might be an initial step towards gauging the extent of competitive lobbying for aid outside the U.S. Another possibility for future research is an analysis of the lobbying efforts of foreign embassies, which this analysis has not accounted for.[68]

In addition to these implications for the foreign aid literature, this analysis also has much to offer existing scholarship on foreign lobbying. At the most basic level my analysis attests to the generalizability of existing models investigating foreign lobbying and trade policy. But above all, this is the first analysis to show that foreign lobbying can be used for both self promotion and to combat the advances of one's rivals. For studies of foreign lobbying this is an important advancement and represents an opportunity for

[68] Unless they chose to hire lobbyists.

future trade policy research. It lends itself to the question that, like foreign aid, is trade policy also amenable to influence by the lobbying efforts of country rivals? For instance, can a country like India effectively lobby to reduce trade between the U.S. and Pakistan? Analyses of this topic would help to increase general knowledge of trade policy formation and presumably attest to the generalizability of the findings presented in this chapter.

This avenue for future research applies to the study of foreign policy more generally. This analysis has some intriguing implications for the study of international relations more generally. No country is an island and no dyadic relationship is an island. Figure 7, above, visually depicts this phenomenon. Every dyadic relationship is, at least potentially, amenable to influence by countries outside of the dyad. Consequently, dyadic theories of international relations and foreign policy formation that ignore the impact of third party countries are simply incomplete. The convention is to view foreign policy formation as a game occurring on two-levels (Putnam 1998): international and domestic. On the international level politicians bargain with other countries, and on the domestic level politicians bargain with domestic actors. This notion of bargaining at the international level is as an exchange of international concessions by one country for international concessions by another. Foreign lobbying represents a fundamentally different bargaining process. Governments engaging in foreign lobbying offer heightened domestic power to foreign country leaders in exchange for international concessions. It is precisely in this manner that self interested donor country leaders "sell" foreign policy.

This analysis thus extends the logic of two level games to account for the fact that foreign policy actors are influenced by foreign entities within the dyad (i.e. foreign lobbying; Chapters IV and V), *and* they are influenced by foreign entities outside of the dyad. By lobbying, third party countries can change politician's reelection calculus and receive foreign policy concessions in return. The key question for future analyses then becomes – is this effect isolated to foreign aid? Or, does it influence other aspects of foreign policy, like militarized conflict? Some argue that Pro-Israel lobbyists were instrumental in advocating for the second U.S. conflict with Iraq (Mearsheimer and Walt 2006). Is this an aberration? Only future analyses can tell.

While these foreign policy implications are significant, a theory of interest group influence is the crux of this analysis. Accordingly, this analysis contributes to prior research and hopefully will help to guide future research on interest group influence. As discussed in Chapter II, one of the key weaknesses of research on the influence of interest groups has been an inability to adequately operationalize influence and to measure it empirically (Dur and De Bievre 2007). I have overcome this obstacle by utilizing one of the most basic indicators of influence: money. By measuring my dependent variables in absolute dollar amounts, only accounting for lobbying efforts explicitly tied to those goals, and controlling for a host of plausible alternative explanations in a large-N multivariate model I have shown that foreign lobbyists have significant influence over U.S. foreign aid allocations. By utilizing actual dollar amounts spent on lobbying as an indicator of lobbyist effort, I take this finding of interest group influence a step further. Conducting the analyses in this manner not only shows

influence, it also provides a monetary estimate of this influence. To my knowledge no published large-N multivariate analysis of interest group influence has provided a comparable monetary parameter estimate. This shows that identifying and quantifying influence is possible, contrary to the arguments of some (e.g. Woll 2007).

Future analyses of interest group influence can build upon this analysis, and the framework that it is derived from, to further expand knowledge of interest group influence. Given the dollar per dollar argument presented above, this may limit analyses to monetary policy outputs. But, considering the number of monetary policy outputs, this hardly limits the scope of potential analyses. One possibility is deciphering the effectiveness of different foreign lobbyist strategies such as exchange, persuasion, or legislative subsidy. This is a project that would likely be a dissertation in itself. The FARA data utilized here do not provide information on the precise form of influence exercised. They simply state how much was spent by the foreign entity and to whom it was directed. Thus, my agnosticism on the exact means of influence was necessitated equally by practical focus and data availability. The question of foreign lobbying influence mechanisms, however, is extremely important. And, as there is currently no study investigating this topic, it seems to be an extremely fertile area for future research.

Practical Implications

The not so novel root of this analysis is the practical realization that foreign policy is not formulated by amorphous entities blindly pursuing what is best for the nation in the international arena. They are individuals, whom, for better or worse, are blindly pursuing their own interests. They are politicians seeking reelection and

bureaucrats seeking assistance with their specific function in the allocation process. When pursuing one's own self interest, the ends justify the source of the assistance. Foreign agents are eager to help these decision makers accomplish their objectives and have the resources to do so; but, this "free" assistance is not without consequence. Even if no outright exchange takes place the seeds of reciprocity are planted and foreign agents will rationally only provide support to those with an interest in benefiting their foreign principal. In this way, American foreign policy is sold and sacrificed to the whims of foreign entities.

Every time this happens the American public becomes at least a little less sovereign as they are forced to abide under a foreign policy that is influenced by a factor not for, of, or by them. Prior to this analysis the generally accepted opinion was that foreign policy was guided by some combination of international security concerns, economic benefits, neo-liberal or altruistic goals like reducing human rights violations or promoting peace, and domestic influences from organized interests like business and industry. The key is that every explanation of aid allocations offered in prior analyses in some way directly represents the interests of at least a portion of the U.S. population; foreign lobbying does not. Security, economic, and humanitarian justifications for foreign policy are all intended to benefit some U.S. citizens. Similarly, domestic lobbying by businesses, NGO's, or private citizens benefits at least some citizens, no matter how narrow the interest. Foreign lobbying is just that—foreign. It does not stem from the interests of U.S. citizens and any positive impact it has on them is purely coincidental.

This is not to say that foreign lobbying is entirely detrimental to U.S. citizens. It may, in fact, have many positive consequences, as globalization theorists would undoubtedly contend. But, for those concerned with U.S. sovereignty, the findings presented here point to the need for restructuring the FARA. Limiting the ability of foreign entities to influence policy makers can be accomplished by increasing funding for oversight of the FARA statutes and making it more than a statute predicated upon voluntary compliance. Penalties and fines for non-compliance may need to be increased and criminal prosecutions under the statute, which have not occurred since 1966, should be a real possibility. Even with these suggestions it is not clear that foreign influence will be entirely eradicated. But, if the current foreign policy decision making process persists the American public may be left with a policy that is foreign in both name and outcome.

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APPENDIX A

TECHNICAL APPENDIX

Concerns over foreign influence on the U.S. political process date back at least as far as the Revolutionary War. There was, however, no public law on the subject until Congress passed the Foreign Agents Registration Act (FARA) in 1938. The law was passed in response to concerns by President Roosevelt and members of Congress that Adolf Hitler was financing efforts to promote the Nazi movement in the U.S. At this time, the FARA was the first major piece of lobbying legislation at the federal level. The original act was focused on propagandists and still allowed foreign entities to make political contributions in U.S. elections. Amendments in 1966, spurred on by foreign entities' rush to obtain U.S. sugar quotas following the Cuban trade embargo, amended the act to focus more heavily on defending the U.S. government decision making process. Sugar producers in a number of countries were exceptionally organized and contributed significant sums of money to political campaigns in their quest to obtain these sugar quotas. The 1966 amendments were designed to combat undue foreign influence of this sort, and they allegedly closed the political contribution loophole by requiring anyone engaged in political activities on behalf of a foreign principal to register with the U.S. government. In practice, however, foreign agents (as defined in Figure 9) can still make campaign contributions so long as the funds do not come directly from foreign entities. Given the fungibility of funds and the fact that most foreign agents actively represent a plethora of domestic and foreign interests, it is

generally believed that foreign agents still actively contribute to campaigns for their foreign principals (Gawande et al. 2006).

Figure 9: FARA Key Terms and Definitions from 22 U. S. C. §611

FARA Term	Definition
Person	Includes an individual, partnership, association, corporation, organization, or any other combination of individuals
Foreign Principal	Inludes--(1) a government of a foreign country and a foreign political party. (2) A person outside of the United States who is not a U.S. citizen or in any other manner under the jurisdiction of the U.S. (3) Any business, organization or variants thereof having its principal place of business in a foreign country.
Agent of a foreign principal	Includes: (1) Any person who acts as an agent, representative, employee, servant, or in any other capacity at the order, request or under the direction or control, of a foreign principal or an agent of a foreign principal (i) Engages with the U.S. in political activities for or in the interests of such foreign principal. (ii) Acts within the U.S. as a public relations or political consultant. (iii) Within the U.S. solicits, collects, disburses, or dispenses contributions, loans, money, or other things of value for or in the interest of a foreign principal. (d) Does not include any news or press service or association.
Political Activities	Includes: Any activity that the person engaging in believes will, or that the person intends to, in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.
Political Consultant	Means any person who engages in informing or advising any other person with reference to the domestic or foreign policies of the United States or the political or public interest, policies, or relations of a foreign country or of a foreign political party.

While they did not completely curtail foreign influence in the U.S. political process, the 1966 amendments did ensure that all lobbying efforts on behalf of foreign entities would be recorded and that this information would be publicly available. The organization responsible for handling this task is the FARA Registration Unit which is in the Department of Justice's Counterespionage Unit in the National Security Division. According to their website:

> FARA is a disclosure statute that requires persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts and disbursements in support of those activities. Disclosure of the required information facilitates evaluation by the government and the American people of the statements and activities of such persons in light of their function as foreign agents.[69]

Currently, the FARA requires only that foreign agents register with the Registration Unit and "file forms outlining its agreements with, income from, and expenditures on behalf of the foreign principal. These forms are public records and must be supplemented every six months," according to the FARA Registration Unit.[70] While there are penalties for violating the act, fines and up to ten years imprisonment, the Registration Unit seeks voluntary compliance with the statute. This is evident by the Department of Justice's account that "Since 1966 there have been no successful criminal prosecutions under FARA and only 3 indictments returned or informations filed charging FARA violations." [71] Moreover, the Lobbying Disclosure Act (LDA) of 1995 slightly modified the class of foreign agents registering under the FARA. Following this

[69] Source: http://www.usdoj.gov/criminal/fara/
[70] Source: http://www.usdoj.gov/criminal/fara/links/faq.html
[71] Source: http://www.usdoj.gov/usao/eousa/foia_reading_room/usam/title9/crm02062.htm

act agents registering under the LDA are exempt from registering under FARA so long as they do not represent foreign governments or political parties. This effectively separated foreign business entities engaged in purely economic activities from the more politically motivated entities that are still required to register under the more stringent FARA requirements (Spulak 2008). For the purpose of the analyses conducted in this dissertation, this split is ideal because it allows me to focus on foreign entities actively seeking to modify U.S. foreign policy. Additionally, the FARA has much more arduous reporting requirements than does the LDA. Most notably, the former requires a detailed description of lobbying activities and has no threshold for reporting lobbying expenses whereas the LDA, even with its more stringent requirements following the passage of the Honest Leadership and Open Government Act of 2007, has registration thresholds of $3000 in lobbying income and $11,500 in lobbying expenses for organizations with in-house lobbyists. These thresholds pose both theoretical and empirical problems by eliminating smaller lobbyists whom collectively, or even individually, can have a significant impact on policy outputs. The FARA's lack of thresholds for reporting ensures that even the smallest contributions will be recorded, even those with obscenely miniscule amounts. For example, Steptoe and Johnson's representation of the Embassy of the Government of Canada netted paltry $1.60 in expenditures in 1999. In short, the FARA provides a more complete picture of lobbying activity by including all types of lobbying activity regardless of expenditure level than does lobbying data collected under the LDA.

Above all, the FARA includes detailed information on foreign lobbing activities directed at influencing U.S. foreign assistance outlays. The level of detail required of agents registering with FARA and the ease of access to this data through the FARA Registration Unit's Semi-Annual Reports to Congress has made it possible for me to develop an elaborate dataset that disentangles a variety of lobbying objectives and allows me to focus exclusively on efforts to influence economic and military assistance. The following section lays out the variables within this dataset and describes the manner in which I coded them to ultimately arrive at the variables used in the analyses.

FARA Data Coding

General Overview

The data are taken from the United State's Foreign Agents Registration Act (FARA) semi-annual reports compiled by the Treasury Department. The reports can be found online at: http://www.fara.gov/links/annualrpts.html. Each semi annual report is approximately 300 pages long and contains approximately 700 entries. The sample utilized in this analysis includes all entries from 1997-2001, which amounts to more than 4,200 entries. For variables that do not require interpretation I have attempted to record entries exactly as they appear in the FARA reports.

Below you will find a list of variables that I obtained from these reports and their definitions. The actual coding schema I utilized is more expansive, but these definitions cover nearly all of the nuances of the coding process.

Variables and Brief Definitions

- *Year*- Year in which the lobbying occurred (1997-2001)

- *Half*- Half of the year in which the lobbying occurred. FARA has two reports per year. The first begins on January 1st and the second begins on July 1st.
- *Country*- The country in question
- *Foreign entity*- The name of the foreign entity paying for or requesting lobbying services.
- *For. Govt. Dummy*- Dummy variable indicating whether or not the foreign entity is part of the government or not. 1 = government, 0 otherwise. Political parties (even those not currently in the governing coalition), cabinet level officials, and embassies and their representatives are all coded as 1 here.
- *Terminated*- Dummy variable coded 1 if the foreign principal terminated the relationship with the agent during the six month reporting period
- *Lobbying Firm*- US based organization hired to do the actual lobbying (can be a US branch of a foreign entity or a foreign governments embassy or representative in the US)
- *Firm Number*- This is the unique FARA identification number for each lobbying group
- *Terminated T*- Indicates that the lobbying group terminated their relationship with the principal during the six month period
- *Amount Spent*- "The dollar figure included for each registrant represents the total amount of money received in the United States in furtherance of the agency purpose by agents working on behalf of the foreign principal. This information is based on the registrant's reporting period rather than the calendar year,"

according to FARA. Unlike lobbying reported under the LDA, there is no cap under which reporting of this amount is not required.

- *End Month*- Amount spent is based on a six month reporting period with variable end dates based on when the registrant filed with their FARA report. This lists the month the report was submitted.
- *End Day*- This is the day of the month the report was submitted.
- *Nature of Services* - This list the type of services the registrant provided. Categories include: Promotion of Investment, Lobbying, Consultant, Media Relations, etc… By far, the modal category is "Legal and Other Services/Lobbying."

The remaining variables are based upon my coding of the activities section in each of the entries. This section requires the registrant to describe in greater detail the activities undertaken. I sort out these activities into variables that are utilized in my analyses.

- *Economic_dum* – This variable is coded as 1 if the activities described are purely economic in nature and 0 otherwise. My schema is as follows. Economic dummy requires solely economic activities. ANY non-economic activity means this variable will be coded as 0. Non-economic activity includes monitoring or in any way dealing with legislation not directly applicable to the economic issue in question. Variable is coded as a 0 if government contact, monitoring, or oversight of any sort is mentioned.

- *Gov. Contact*- This variable is coded as 1 if the registrant made any sort of government contact, and 0 otherwise. My schema is as follows. Legal representation constitutes government contact. The Judiciary is part of the government. Information about or monitoring of government does NOT constitute contact. State and local officials are government contacts as are bureaucrats. Serving as a legal counsel implies government contact.
- *Military mention*- This variable is coded as 1 if the registrant made any sort of reference to the military (i.e. peace, war, domestic violence, arms, "maintaining a safe and secure environment", etc…).
- *Aid/poverty mention*- This variable is coded as 1 if the registrant made any explicit reference to economic aid or economic assistance needs in the country. Mentioning things like poverty, economic liberalization efforts, or foreign debt/borrowing are all coded as 1 under this variable.
- *Competitive-lobbying*- Is a variable coded as 1 if an entity lobbies against a specific country, and 0 otherwise. Anti-lobbying includes, but is not limited to, advocating for U.S. opposition to the country, a reduction in U.S. involvement with the country, or highlighting concerns about the country (e.g. human rights issues). The country lobbied against is listed along with any explicit references to military or economic assistance.

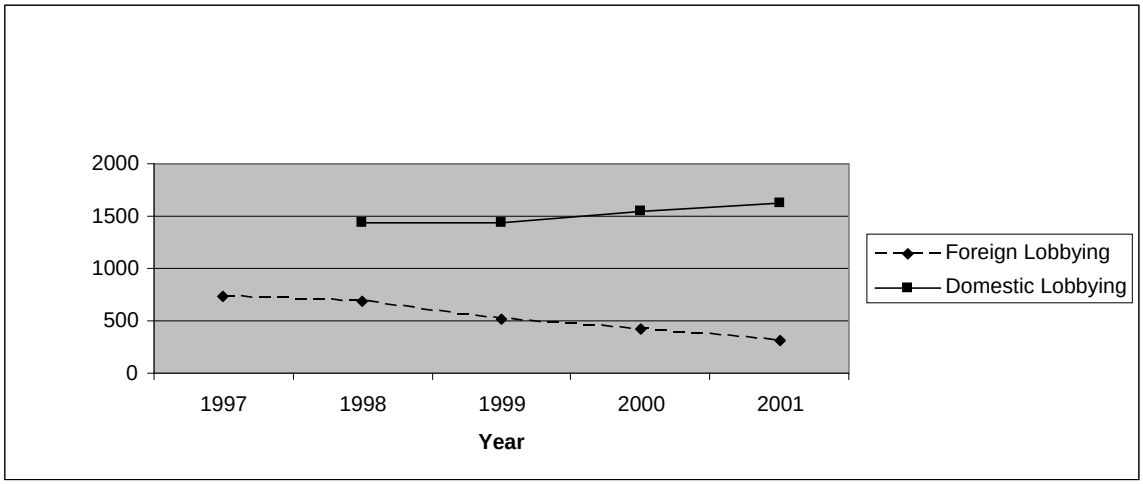
FARA Data Discussion and Descriptive Statistics

While lengthy and arduous, coding the FARA data in the manner described above allows me to separately analyze various components of foreign agent activity in

the U.S. In this section I present some of the key descriptive statistics for these FARA variables. This provides an idea of the extreme flexibility of this data source. It illustrates how lobbying for economic and military aid compares to other types of lobbying, and I am also able to compare the effectiveness of foreign lobbying from governmental entities to that of non-governmental entities and compare the utility of lobbying governmental actors to that of lobbying non-governmental actors. In short, this dataset provides an extremely rich picture of foreign lobbying activity in the U.S.

To begin with, Figure 10 charts the total amount spent on foreign lobbying compared to domestic lobbying filed under the LDA for all the years included in this analysis. [72]

Figure 10: Foreign vs. Domestic Lobbying Totals (Million $)



[72] LDA data are taken from www.OpenSecrets.org. 1998 is the earliest year available for this data.

This chart reveals several noteworthy aspects of lobbying in the U.S. First, and of paramount concern for this analysis, is that foreign lobbying is a vibrant industry in the U.S. with annual expenditures by foreign principals exceeding more than $500 million on average. Second, foreign lobbying appears to be a sizeable component of lobbying in the U.S. With domestic lobbying expenditures averaging roughly $1.5 billion annually, foreign lobbying constitutes approximately 25% of all lobbying in the U.S. Analyses that ignore this critical element of the lobbying process are thus failing to account for one in every four dollars spent on lobbying in the U.S. Third, there is a clear trend in both these lines over time: domestic lobbying is increasing while foreign lobbying is on the decline. This may not indicate an actual increase in domestic lobbying and an actual decline in foreign lobbying, however. The LDA of 1995 went into effect just before this

Table 7: Total Foreign Lobbying Amounts (Million $)

Year	Total Lobbying	Economic Aid	Military Aid	Economic Aid %	Military Aid%
1997	731	11.200	20.200	0.015	0.028
1998	684	7.988	12.700	0.012	0.019
1999	509	19.400	20.900	0.038	0.041
2000	422	11.000	15.500	0.026	0.037
2001	314	9.445	8.758	0.030	0.028

time series began and over time organizations will adapt to the new legislation as non-political foreign entities will rationally begin reporting under the less stringent LDA requirements. The fact that overall lobbying levels hovered right around $2 billion

provides cursory support for this claim that fluctuations in lobbying levels reflect reporting changes and not actual levels of lobbying by foreign entities.

As with domestic lobbying, not all foreign lobbying is equivalent. The lobbying goals of foreign entities are as varied as the entities themselves. Fortunately, the FARA data with its detailed descriptions of actual lobbying activities allows me to disentangle the complex puzzle of foreign lobbying objectives and focus exclusively on my area of interest, foreign assistance. Table 7 lists, by year, the total amount of foreign lobbying, the total amounts of economic and military aid, and these values as percentages of total foreign lobbying.

It is readily apparent from this table that foreign assistance is a small component of total foreign lobbying expenditures. Lobbying explicitly related to economic or military aid never even exceeds 5% of total foreign lobbying. This attests to the fallacy of assuming that all of a given countries lobbying efforts can be assumed to impact foreign assistance and the importance of disaggregating lobbying totals to provide a precise description of lobbying objectives. Even in the peak year for foreign assistance, 2000, military and economic aid lobbying *combined* does not exceed 8% of total foreign lobbying expenditures. In short, lobbying for foreign assistance is uncommon even when considered within the context of foreign lobbying, and it would be an egregious mistake to assume that all lobbying efforts on behalf of a foreign country are directed at increasing foreign assistance.

Table 7 also reveals an important trend in foreign lobbying. As previously mentioned, foreign lobbying expenditures, as reported in the FARA data, declined

appreciably during this time period. If this reflected a general decline in foreign lobbying, foreign assistance expenditures as a percentage of total foreign lobbying should have remained relatively constant. This, however, is not the case. Economic and military aid lobbying as percentages of total foreign lobbying both increased with time. For both variables the first two years were the lowest percentages. So, as total foreign lobbying expenditures fell the percentage of these expenditures being directed at foreign assistance rose, which is in line with the idea that the reporting changes resulting from the LDA are in fact leading non-governmental foreign entities to report under the LDA and not the more stringent FARA. This is also reflected by the sharp decline in foreign lobbying expenditures associated with purely economic activities over time[73].

Table 8: Country Leaders in Lobbying (Million $)

	Total		Economic Aid		Military Aid	
Year	Country	Amount Spent	Country	Amount Spent	Country	Amount Spent
1997	Japan	47.5	Mexico	3.39	Qatar	12.10
1998	Japan	49.4	Vietnam	1.01	Angola	2.11
1999	Japan	54.9	Qatar	10.60	Qatar	10.60
2000	Japan	51.5	Suriname	2.61	France	4.95
2001	Japan	45.1	Angola	2.26	Ethiopia	1.98

This discussion of aggregate foreign lobbying totals makes it clear that disentangling the objectives of foreign lobbyist expenditures is important, and this becomes even more obvious when we compare foreign lobbying expenditures across

[73] For the sake of brevity, these purely economic expenditures are not listed in the table. Note though that economic related foreign lobbying is the modal category in the FARA data, and that these expenditures declined drastically between 1997 and 2001.

countries. Table 8 provides a list of the countries with the largest foreign lobbying expenditures in each year and across both measures of foreign assistance. From 1997-2001 Japan spent more on foreign lobbying than any other country, by far.[74] In spite of its large expenditure levels Japan does not have the highest level of expenditures for foreign assistance in any year, for either indicator. Japan's expenditures were overwhelmingly directed at economic policies or purely economic activities and had little to do with foreign assistance. In fact, of Japan's nearly $250 million in expenditures in this period just over one million dollars was directed at foreign assistance issues ($860 thousand of which was military related), which once again illustrates the importance of disaggregating foreign lobbying expenditures.

Aside from Japan's immense expenditures, Table 8 reveals several other interesting facets of the FARA data. First, Qatar led all countries in lobbying for military aid in two years and in lobbying for economic aid in one year. Their 1999 leadership in both economic and military aid lobbying resulted from an immense contract with Patton Boggs that exceed nine million dollars in expenditures. It dealt with economic development issues, the Middle East Peace process and a variety of other issues. The actual text of the FARA entry reads:

> The registrant advised the foreign principal with respect to its bilateral relationship with the U.S. Government, the Middle East peace process, security, international law, commercial investment, litigation, contracts and commercial issues. The registrant also provided advice in connection with official visits to the United States by Qatari officials; economic development initiatives in Qatar; initiative to establish an American University in Qatar; and issues relative to defense cooperation between the United States and Qatar. In addition, the

[74] China was second in expenditures over this period, but Japan's expenditures routinely outstripped China's by more than $10 million annually.

> registrant provided comments and advice regarding the content of speeches, remarks and other communications by Qatari Government officials, and their correspondence with U.S. Government officials.[75]

Descriptions just like this form the basis for deciphering the intent of foreign lobbying efforts. While vivid and extremely informative, they do not provide a breakdown of expenditures based upon each of the factors mentioned in the description. Thus, in this case there is no way to tell how much of the nearly ten million dollars went to lobbying for military assistance, economic assistance, or other activities, so this contract is coded as lobbying for both military and economic aid. Though this is certainly less than ideal, there is currently no lobbying data source that provides expenditure estimates disaggregated to a greater extent than the FARA data, and this does provide a significant improvement upon using aggregate country expenditures.

Perhaps the greatest anomaly, or apparent anomaly, in Table 8 is the fact that France spent more on military aid lobbying in the U.S. during 2000 than any other country. Presumably, an economically advanced OECD member state wouldn't be in great need of military assistance from the U.S. France, however, was not interested in receiving conventional weaponry and equipment typically associated with military assistance. They spent millions of dollars in an effort to qualify for the U.S. army's Tactical Unmanned Aerial Vehicle. This sophisticated piece of military equipment was not meant to prop up a floundering military, to stabilize a country, or aid a U.S. ally engaged in international conflict; it was purely an effort to bolster the readiness of an already sophisticated first world military.

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[75] Source: FARA Semi-Annual Report for the Six Month Period Ending December 31, 1999, pg. 247.

The French case brings up another important aspect of the FARA data. In this case the French government was lobbying for military assistance, but non-governmental entities can also lobby for military assistance. Had this lobbying come from a non-governmental source would the impact have been different? Because the FARA data lists the foreign entity doing the lobbying it is possible to compare the effectiveness of lobbying efforts across governmental and non-governmental groups. Table 9 investigates this phenomenon by showing the percentage of total foreign assistance lobbying conducted by governmental entities. As the figures attest, non-governmental entities play an extremely limited role in lobbying for economic aid; not a single non-governmental entity lobbied for economic assistance in 1997 and non-governmental lobbying for economic assistance did not constitute more than 10% of total expenditures in any year.

Table 9: Total Foreign Lobbying Amounts by Foreign Governments

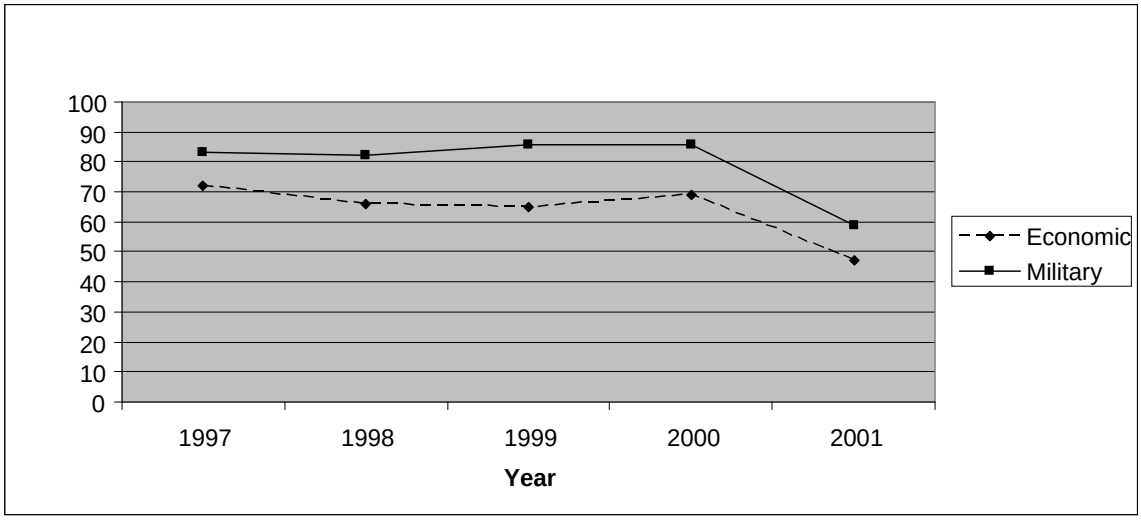
Year	Economic Aid	Military Aid	% of Total Economic Aid	% of Total Military Aid
1997	11.200	19.300	1.000	0.955
1998	7.961	10.200	0.997	0.803
1999	19.200	19.000	0.990	0.909
2000	10.300	10.500	0.936	0.677
2001	9.083	8.050	0.962	0.919

The story is somewhat different for military aid lobbying, however. Non-governmental entities expended a significant proportion of all military aid lobbying in both 1998 and 2000. In the remaining three years though non-governmental expenditures on military aid did not exceed 10% of total expenditures. There are no clear explanations as to why

non-governmental lobbying for military aid spiked in 1998 and 2000, nor does this table provide any evidence that these non-governmental entities were effective.

To better address the basic question of lobbying effectiveness I created a dummy variable to investigate differences between foreign agents that reported making contact with government officials and those that did not. Figure 11 tracks the number of foreign agents over time and the percentage of these agents that make governmental contact is reported in Table 10. For the purpose of this analysis each separate instance of a foreign principal hiring a foreign agent is coded as the existence of a separate foreign agent, even if the same agent represents multiple principals or the same principal has multiple

Figure 11: Total Active Foreign Agents by Year



agents. As you can see from the figure, the total number of foreign agents stays relatively static from 1997-2000 and then drops appreciably in 2001. One plausible explanation for this is the Presidential changeover from Clinton to Bush following the

2000 election. With a different executive in place many foreign agents may have found it difficult to lobby for foreign assistance as they had under the Clinton administration. Given the large expenditures on lobbying for military aid, it is not surprising to see that there are more foreign agents actively lobbying for military aid than for economic aid in every single year included in this analysis.

Table 10 lists the total number of these agents whom explicitly stated that they made contact with an official or representative of the U.S. government. The final two columns of the table list these figures as percentages of all active agents on each issue. A cursory inspection of these figures reveals that it is overwhelmingly the norm for foreign agents hired to lobby for foreign assistance to make direct contact with the U.S. government. There are however an important minority of agents who do not make government contact. In every year at least 10% of agents actively lobbying for military assistance do not make explicit reference to contacting the U.S. government, and for economic aid lobbying this figure never drops below 8% in any year.[76] Thus, the

Table 10: Foreign Agents Contacting the U.S. Government by Issue

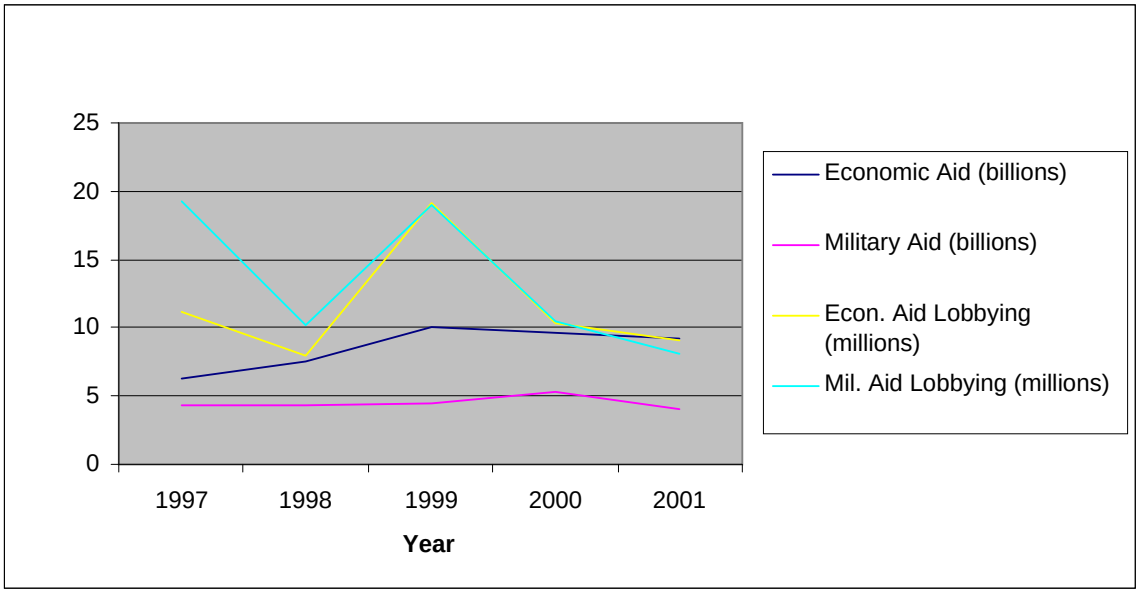
Year	Economic	Military	% of Economic Agents	% of Military Agents
1997	65	71	0.903	0.855
1998	57	72	0.864	0.878
1999	57	77	0.877	0.895
2000	58	72	0.841	0.837
2001	43	53	0.915	0.898

[76] However, given the small total number of foreign agents active on these issues, the number of agents not contacting the U.S. government for either issue fails to reach double digits in any year.

empirical analyses presented in this dissertation account for this difference in lobbying tactics in order to gauge the impact of governmental contact on the effectiveness of lobbying for foreign assistance. As the analyses presented in the empirical chapters attests, governmental contact does in fact increase the effectiveness of lobbying for foreign assistance, albeit nominally.

The preceding tables and figures provide a number of informative descriptive statistics about the FARA data and they offer a glimpse into just how versatile this data set truly is. The big question, and the one that guides this dissertation, is how these foreign lobbying figures coincide with actual fluctuations in foreign assistance. Figure 12 tracks lobbying expenditures for economic and military aid alongside actual levels of economic and military aid.

Figure 12: Foreign Assistance and Foreign Lobbying Totals



This figure reveals several interesting aspects of foreign assistance and foreign lobbying. First, note the scale of the variables: lobbying is in millions of dollars while actual aid is in billions of dollars. This indicates that foreign assistance lobbying expenditures total on average less than 1:500 of the actual amount of foreign assistance doled out by the U.S. In Chapter III I discussed the assumption that rational foreign entities would only lobby for foreign assistance if the benefits of lobbying exceeded the costs. What this figure indicates is that there is at least the potential, if not the reality, for acquiring immense amounts of aid with relatively small lobbying expenditures. Second, the U.S. gives out far more economic aid than military aid (a 2:1 ration in some years), in spite of the fact that lobbying expenditures for military aid rival and even outstrip in most years, lobbying expenditures for economic aid. Third, the aforementioned decline in lobbying efforts that coincided with the changeover of executive power in the U.S. is mirrored by declines in the overall levels of both economic and military aid. Specifically, from 2000 to 2001 U.S. military assistance declined by more than one billion dollars.

This only begins to exemplify the incredibly strong relationship between foreign assistance and lobbying efforts. When these figures are broken down by country the powerful relationship between the two becomes even more apparent. Perhaps the most telling figure is that 100% of countries lobbying for economic assistance received it in the following year and no countries that had received economic assistance in one year and received none the following year had lobbied for economic aid. Whether or not it was the lobbying itself that saved countries from losing aid is uncertain, or whether there

is a selection effect wherein only those countries with high probabilities of retaining aid lobby for it is uncertain based upon these simple figures. Yet, it is remarkable that with a total of 145 country-years of lobbying for economic aid from 1997-2001 there was not a single incidence of a country failing to receive economic aid in the following year. The story is similar, though not quite as compelling, for military assistance. There were a total of 170 country-years where lobbing for military aid took place. In just two of these instances (less than 2%) did the country stop receiving military aid the following year. Of the 18 countries that had been receiving military aid one year and stopped receiving it in the next only two (11%) had been lobbying for military assistance.[77] Conversely, six of the twenty-seven (22.2%) countries receiving military aid for the first time had lobbied for it.

[77] The two countries were Angola in 1998 and Haiti in 2001.

APPENDIX B

VARIABLE DESCRIPTIONS AND SOURCES

Variable	Description	Source
Foreign Lobbying	Total dollar amount of foreign lobbying, constant dollars	FARA Semi Annual Reports
Economic Aid	Total amount of official development assistance in constant 2006 dollars in millions	U.S. Greenbook
GDP	Gross domestic product per capita	Penn World Tables
Trade	Total bilateral trade between the foreign country and the U.S.	Correlates of War
FDI	Total U.S. foreign direct investment in the given country during the given year	Bureau of Economic Analysis
UN Votes	Correlation between U.S. and foreign country votes in the UN	Affinity of Nations Index
Regime Type	Dummy variable that equals 1 if a state is not a democracy and 0 otherwise	Correlates of War
Foreign-Born Pop	Number of Foreign born in the US by country/year in thousands	http://www.migrationinformation.org
Military Aid	Total military assistance to the foreign country in constant 2006 dollars in millions	U.S. Greenbook
External Conflict	Total # of MID's ongoing in a given year with the country on the opposite side of the U.S.	Correlates of War
Internal Conflict	Coded 1-4: 1=No conflict & 4=War	UCDP/PRIO Armed Conflict Dataset
Population	Total recipient country population in millions	Penn World Tables

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